



TAMPINES

CAMDEN MEDICAL CENTRE



NOVENA MEDICAL CENTRE

GHIM MOH



ANCHORVALE



MOUNT ELIZABETH
MEDICAL CENTRE
BUKIT BATOK CENTRAL
HILLFORD
(JALAN JURONG KECHIL)



FARRER PARK
HOUGANG



ANG MO KIO
D'LEEDON (LEEDON HEIGHTS)

COMPASSION COMMITMENT DEDICATION

ANNUAL REPORT 2020

TABLE OF CONTENT

Corporate Profile	01	Group Structure	13	Location of Clinics	30
Chairman's Message	02	Our Services	14	Corporate Information	32
CEO's Statement	04	Our Specialists	22	Financial Contents	33
FY2020 Year In Review	07	Our General Practitioners	24		
Performance Review	08	Our Team	26		
Board of Directors	10	Our Endoscopy Centres	28		
Key Management	12	Corporate Social Responsibility	29		

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

This annual report has not been examined or approved by the SGX-ST and 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 Mr. Pong Chen Yih, Chief Operating Officer, at 9 Raffles Place, #17-05 Republic Plaza Tower 1, Singapore 048619, telephone (65) 6950 2188.

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 MESSAGE



The results of HCSS's expansion plan to build the Group and bring value to its shareholders can be seen when it achieved a 15.3% revenue growth in the first half of FY2020.

Dear Shareholders,

FY2020 has been an eventful year for the Company, as we continued our expansion plans, both organic and inorganic:- (i) acquired 25% stake in an established general practitioner clinic Medistar Services Pte. Ltd. in July 2019; (ii) acquired the remaining stake in our subsidiary Medical Services @ Tampines Pte. Ltd. in September 2019; (iii) acquired additional 19% stake in Julian Ong Endoscopy & Surgery Pte. Ltd. ("**JOES**") in October 2019, whose performance had exceeded our expectations when it first joined the Group in 2017; (iv) started 2 new endoscopy centres at Camden Medical Centre in October 2019 and Ang Mo Kio in February 2020 to extend our presence in Singapore; and (v) had our first overseas foray in Cambodia in January 2020, where we started the endoscopy centre for The Prestige Hospital Co. Ltd. This is a testament to our medical services standards and reputation. Other changes to our corporate structure involved the disposal of HMC Medical Pte. Ltd. in July 2019 for a stake in Singapore Paincare Holdings Limited which has successfully listed on the Catalist on 30 July 2020 where HCSS holds a direct interest of 3.67% and a deemed interest of 4.91% of the total issued share capital; and the disposal of CTK Tan Surgery Pte. Ltd. in September 2019.



The results of HCSS's expansion plan to build the Group and bring value to its shareholders can be seen when it achieved a 15.3% revenue growth in the first half of FY2020. It is unfortunate that this momentum is being interrupted by the COVID-19 pandemic which surfaced in end January 2020, that resulted in the numerous safety measures introduced by the government, including the circuit breaker measures being implemented in the last two months of the financial year. Our revenue was thus affected as the Ministry of Health imposed restrictions on the medical services that we can perform. In addition, the news of Dr. Julian Ong's defamation suit and the Singapore Medical Council complaint in April 2020; and Ms. Serene Tiong's allegation of Dr. Heah Sieu Min breaching his director's duties in the acquisition of the additional 19% stake in JOES (the "**Allegation**") and her application for leave to bring an action in the name and on behalf of the Company against Dr. Heah in respect of the Allegation (the "**Application**") added to the challenges faced by the Company, with many queries from the Singapore Exchange Securities Trading Limited and negative media publicity. Nevertheless, our Group's spirits remained high and united. We are very glad that the High Court had, on 6 August 2020, dismissed Ms. Serene Tiong's Application in full, on the grounds, inter alia, that the decision to acquire an additional interest in JOES was made

by the Board on commercial grounds, in good faith, and in the Company's interest; further, that Ms. Serene Tiong had not shown a legitimate and arguable case in respect of the Allegation and had also not brought the Application in good faith.

For the next financial year, we are happy to start off by having our first female surgeon, Dr. Goh Minghui who joined us in July 2020. HCSS also held our inaugural charity event on 19 July 2020 as part of our corporate social responsibility initiative, to contribute back to society amidst this challenging times. Last but not least, I would like to take this opportunity to thank our shareholders, patients and business partners for their continuous support to HCSS, as well as my fellow Directors for their valuable contribution during this challenging times. I would also like to wish all good health and keep safe, hoping that the COVID-19 situation can be brought under control soon.

MR. CHONG WENG HOE

Non-executive Chairman and Independent Director

CEO'S STATEMENT



As medical healthcare providers, we are committed to serve with compassion for the well-being of our patients: “First do no harm, cure often, comfort always”.

Dear Shareholders,

To say that FY2020 has been a challenging year may be somewhat an understatement. The financial year started routinely and calmly enough with (i) the further 19% acquisition of Julian Ong Endoscopy & Surgery Pte. Ltd. (“**JOES**”) on 3 September 2020; (ii) Dr. Julian Ong (“**Dr. Ong**”) helped to licence another heartland centre, HC Endoscopy & Piles Centre (AMK) on 31 January 2020; and (iii) Dr. Jason Lim, encouraged by his successful management of HC Endoscopy & Piles Centre (GM), proceeded to set up and licence another endoscopy centre, Jason Lim Endoscopy & Piles Centre, in Novena Medical Centre on 16 May 2020. I congratulate the doctors who immersed into the HCSS motto of bringing “specialist healthcare to your doorstep”.

On 13 January 2020, we signed a consultancy and medical service agreement to set up the endoscopy centre as well as to perform endoscopic services for the patients in The Prestige Hospital, Phnom Penh, Cambodia. Due to the restrictions on international travel, the project has been temporarily delayed but we look forward to resuming the collaboration when the COVID-19 situation permits.

The COVID-19 virus first surfaced in Wuhan, China in December 2019. The situation then evolved and exploded globally. In Singapore, this culminated into the “circuit breaker” (“**CB**”) which stretched from 7 April to 1 June 2020. This crisis has become and still remains the greatest challenge in our generation.

I wish to give a version of how the Company has handled the situation and our part in Singapore’s and global fight against this formidable and persistent pandemic, showing “Diversity through Adversity”.

1) Diversify our locations of practice

As the pandemic evolved, it became clear that everyone had to quickly adapt to a “new norm”. As HCSS has 12 endoscopy centres, our doctors were allocated centres of practice and maintained separate teams. During the CB period, we adhered to Ministry of Health (“**MOH**”) guidelines, including amongst others, to provide only essential medical services under safe distancing practice. In post-CB phases 1 and 2, we continued to maintain separate teams and locations for each specialist doctor to serve Singapore and Singaporeans within the constraints imposed by the evolving COVID-19 situation.

2) Discipline

Our staff had to adapt quickly to the “new norm”. This included putting on personal protective equipment (“PPE”) which is uncomfortable but necessary; stretching working hours, often starting at earlier times in order to pace out consultation times between patients to avoid overcrowding at the centres; strict practising of personal hygiene; listing only medically essential cases where applicable; strictly enforcing safe distancing; and generally ramping up on camaraderie and teamwork.

3) Determination

As in any crisis, one has to be steadfast and uncompromising in its pursuit of quality in order to overcome the odds and achieve success. As this crisis continues nationally and globally, we shall dig in our heels and play our part in doing what it takes to get through this crisis together. We shall be ready and be on the lookout for opportunities as they present.

4) Dedication

As medical healthcare providers, we are committed to serve with compassion for the well-being of our patients: “First do no harm, cure often, comfort always”. Our staff worked courageously and tirelessly throughout the crisis and this included Dr Julian Ong caring for COVID-19 positive patients housed at the Singapore Expo during his reservist stint in the CB period.

5) Delegation

This is the key for effective teamwork in order to efficiently implement policies to counter the COVID-19 crisis. Every staff including accounts executives, nurses, doctors, cleaners, and administrators were assigned individual tasks, and everyone performed their call of duty. The staff took on the added workload in their stride which were carried out diligently and responsibly. Morale remained high throughout the Company. Upon strict adherence to MOH guidelines, the Group has, to-date, not encountered a single case of COVID-19 with our patients or staff.

6) Digitalisation

The Company was already embarking on digitalisation with regard to medical records, cyber security, protection of patients’ personal particulars, imaging documentation to list but a few. With the evolving pandemic, there is added urgency to ramp up on our digital transformation with Zoom meetings, SafeEntry check-in system, contact tracing applications and telemedicine in line with MOH guidelines on safe distancing and avoidance of physical contact as far as practicable without affecting our healthcare service quality.

7) Distancing

Safe distancing measures such as floor and furniture markings are further strengthened by limiting the number of people in clinics by restricting the maximum number of accompanying person to one (1), and pacing out appointment times so as to avoid congregation of people. Where physical contact cannot be avoided, donning of PPE and limiting medical services to only essential services during the CB period, are some of the measures adopted to keep patients and ourselves safe.

8) Directorship

Our Board of Directors worked tirelessly with the Company’s continuing sponsor, Novus Corporate Finance Pte. Ltd., in getting out a series of announcements to the SGX-ST after the defamation lawsuit of Dr. Julian Ong came to light in April 2020. I thank the Directors for their diligence and unwavering support during this challenging period, especially since it coincided with the CB period.

9) Donation

The Company organised a charity event as part of its ongoing corporate social responsibility program on Sunday, 19 July 2020 (“**HCSS Charity Event**”). This consisted of the provision of endoscopy services at its endoscopy centres by all the Group’s specialists. The services provided were in line with phase 2 of the MOH guidelines. All net proceeds (including endoscopists’ and facility fees) raised from the endoscopy procedures performed during this event will be donated to the President’s Challenge and The Courage Fund. The Company will, in addition, contribute dollar for dollar on the amount raised during this HCSS Charity Event. I am proud to announce that we had raised a total of approximately \$73,000 and donated this in its entirety to the abovementioned organisations. As fellow healthcare professionals, we applaud the courageous frontline healthcare workers and volunteers who care for COVID-19 patients, ensuring that our community is kept safe. We hope that our donation to The Courage Fund and The President’s Challenge will help these workers and many other citizens who are negatively impacted by the crisis.

10) Diversity in Gender

On 1 July 2020, we welcomed Dr. Goh Minghui, a lady surgeon, previously a consultant surgeon in the Department of Colorectal Surgery at the Singapore General Hospital. She began her practice at HC Ming Endoscopy & Piles Centre in Camden Medical Centre and Tampines Endoscopy & Surgery Centre. She is trained in minimally invasive surgery especially in the surgical management of colorectal cancer, which remains the most common cancer in Singapore and the Western world.

CEO'S STATEMENT

DR. JULIAN ONG'S SMC COMPLAINT

The Singapore Medical Council (“**SMC**”) complaint (the “**Complaint**”) was filed by Ms. Serene Tiong (“**Ms. Tiong**”) who was neither a patient of Dr. Julian Ong nor was she ever in a relationship with him. To be clear, she was in a relationship with Dr. Ong’s friend, Dr. Chan Heng Nieng (“**Dr. Chan**”), a psychiatrist. Ms. Tiong submitted a complaint to SMC in June 2018, alleging that Dr. Ong and Dr. Chan had exchanged information that took advantage of patients and vulnerable women for sex. Dr. Ong was only informed by SMC of this Complaint in a letter dated 27 February 2019. HCSS had done our own investigations in the matter and to-date, there has not been any complaints from either a “patient” or “vulnerable woman” claiming to have been taken advantage of by Dr. Ong. Hence, the Company decided to await for due process as the Complaint is currently before the Disciplinary Tribunal at SMC.

As a sign of transparency, in April and May 2020 respectively, HCSS had required Dr. Ong to provide patients with verbal and written statement of facts regarding the Complaint prior to consultation and to obtain their signed consent for Dr. Ong to continue to act as their physician if they should so agree. To date, no patient had declined to see Dr. Ong after being informed of the Complaint. Nonetheless, Dr. Ong continues to implement this requirement before consulting new patients.

The SMC Complaints Committee and Interim Orders Committee had, in April 2020 and June 2020 respectively, required Dr. Ong to sign undertakings pertaining to restrictions on contacting female patients outside the scope of his medical practice. Dr. Ong has committed to honouring these undertakings. He continues to be a dedicated doctor to his patients.

In end May 2020, Ms. Tiong, who had bought 100 HCSS shares (approximately S\$50 in value) after the Company announced the acquisition of a further 19% stake in JOES (the “**Acquisition**”) and on the day prior to the Company’s Annual General Meeting on 26 September 2019, commenced application to the Court under Section 216A(2) of the Companies Act, for leave to bring an action in the name and on behalf of the Company against me alleging that I had breached my duties as a Director of the Company in relation to the Acquisition (the “**Allegation**”) (the “**Application**”). Both the Company and I had consulted our legal counsels in May 2020, when the Allegation first came to light, who were of the view that the Allegation is frivolous and without merit.

The hearing took place on 6 August 2020 and was heard by High Court Justice Chua Lee Ming. At the end of the hearing, which took place over approximately 2 hours, the Court dismissed the Application in full, with costs to be paid by Ms. Tiong to the Company and myself. In arriving at the decision, the High Court

had found that the decision to proceed with the Acquisition was made by the Board of Directors of the Company on commercial grounds, in good faith, and in the interest of the Company. The High Court had also found that the Application by Ms. Tiong was not brought in good faith.

From the outset, the Company’s position has always been that the Acquisition was a considered commercial decision, made in the interests of the Company. The Court’s decision was a clear affirmation of the Company’s position.

Ms. Tiong had submitted her application for appeal on the same day as the above judgement. The Company and I are confident in the Singapore Judiciary System. We believe that justice will protect the innocent and remain optimistic that a favourable outcome will finally put this matter to bed.

I am nonetheless grateful that this failed Application, whilst frivolous and unmerited as it was, enabled our processes to be thoroughly scrutinised publicly and in the court of law, and the conclusion was that the Company had made commercially sound decisions for its own benefit, which is a clear vindication of myself and my fellow Directors.

The events described above has effectively galvanised us together, Directors, Management, Doctors and Staff, and this “**Esprit de Corps**” arising out of a need to confront and successfully overcome tremendous adversity, bodes extremely well for the future, immediate and beyond. I am all the more confident of serving you, our shareholders, better than ever.

What is certain is that I will proudly continue to serve as your CEO to the best of my ability “without fear or favour”. With such an eventful financial year just gone by, and with continual ongoing challenges, it is clearly more appropriate than ever, to keep focused on the ethos and purpose of HCSS which is to bring quality healthcare to the reach of as many people as possible. To do this, we must prioritise being “doctors first and businessman second”. Bearing in mind this principle, I am confident that all our doctors, staff and Directors will continue to work with “compassion, commitment and dedication”, to constantly be on the lookout for opportunities, be adaptive and responsive to the new norm, and together we will continue to add value to shareholders. We are stronger when focused and collaborating with each other!

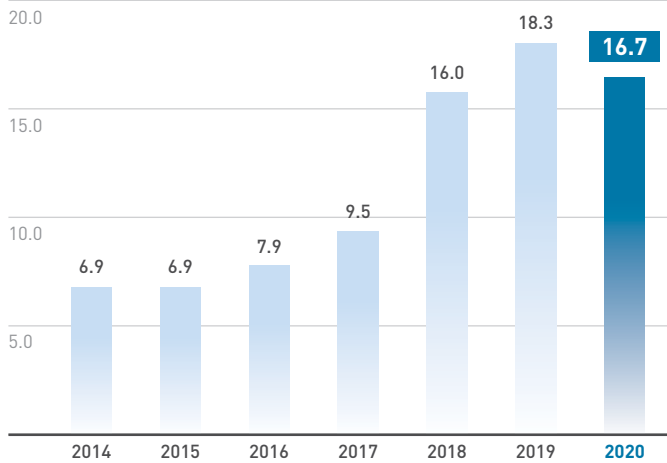
I wish one and all the very best and keep healthy, keep safe!

DR. HEAH SIEU MIN

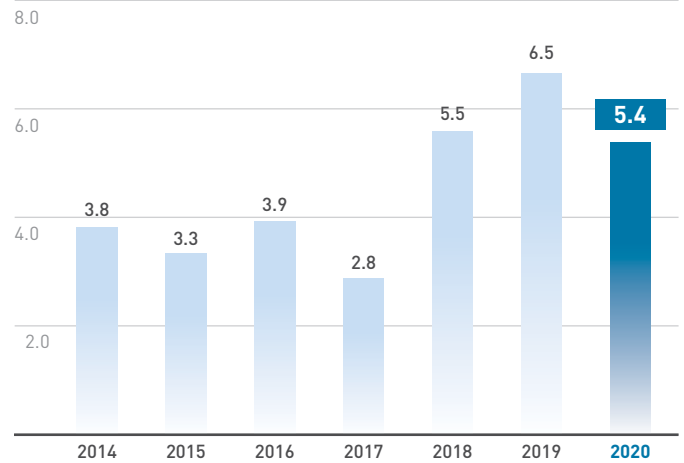
Executive Director and Chief Executive Officer

FY2020 YEAR IN REVIEW

SALES (S\$ MILLION)

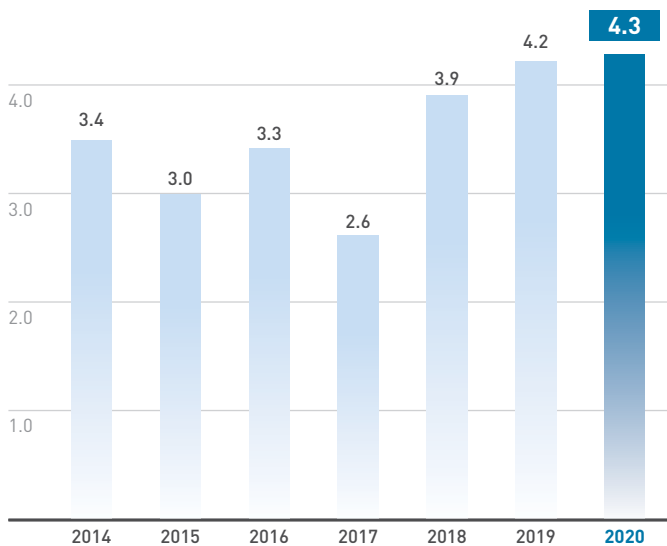


OPERATING INCOME* (S\$ MILLION)



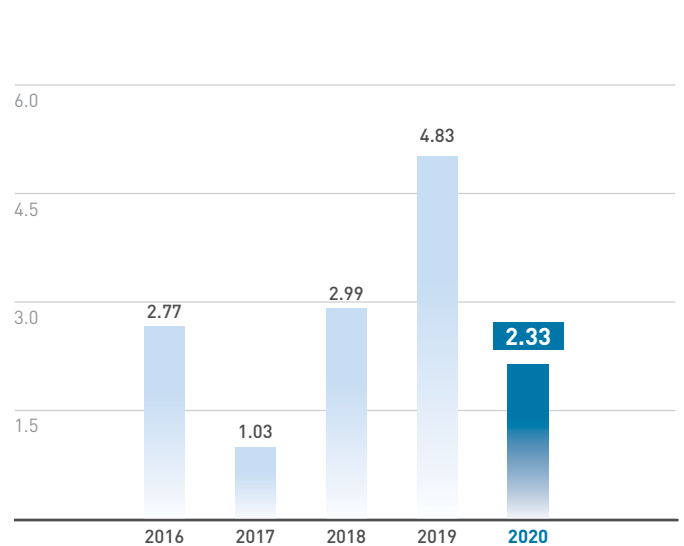
* Profit before tax adjusted for non-recurring items, share of results of associates, other income and finance costs

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



FINANCIAL PERFORMANCE

FY2020 saw a decrease in revenue of S\$1.6 million due to the disposal of investments in subsidiaries, HMC Medical Pte. Ltd. ("HMC") in July 2019 and CTK Tan Surgery Pte. Ltd. ("CTK") in September 2019 and the circuit breaker measures of COVID-19 pandemic in April and May 2020. This was partially offset by the increase in revenue from existing subsidiaries.

Other income increased by S\$0.7 million mainly due to higher dividend income from investment in financial assets at fair value through profit or loss ("FVTPL") of S\$0.2 million; higher government grants (including the Jobs Support Scheme) of S\$0.2 million; and dividend from joint venture of S\$0.02 million.

Fair value gain on derivative financial instruments ("DFI") of S\$1.9 million arose mainly due to recognition of put option granted by a subsidiary and forward purchase contract related to an associate. The fair value loss on DFI in FY2019 related to the fair value loss on options to re-purchase granted to subsidiaries. Gain on disposal of investments in subsidiaries of S\$0.2 million related to the disposal of investments in HMC and CTK.

Gain on remeasurement of investment to fair value upon cessation of equity accounting of S\$3.0 million in FY2019 arose from the recognition of financial assets at FVTPL following a de-recognition of investment in an associate in December 2018. There is no gain on remeasurement of investment to fair value upon cessation of equity accounting recorded in FY2020.

Employee benefits expenses decreased by S\$0.5 million due to lower provision of bonus for the current financial year. Fair value change on financial assets at FVTPL of S\$2.0 million due mainly to the drop in share price of Medinex Limited, in which the Company holds a direct interest of 22.92% and a deemed interest of 9.50% of the total issued share capital. The increase in depreciation and amortisation expenses by S\$0.9 million was due to the depreciation of right-of-use assets that arose from the adoption of SFRS(I) 16. The increase is in line with the decrease in operating lease expenses by S\$0.9 million. Other expenses increased by S\$0.8 million mainly due to allowance for impairment loss on goodwill of S\$0.7 million (FY2019: S\$0.4 million); loss on derecognition of convertible bond of S\$0.4 million; and allowance for impairment loss of right-of-use assets and plant and equipment of S\$0.1 million and S\$0.04 million respectively. Finance costs increased by S\$0.8 million mainly due to (i) unwinding of interest expense related to other financial liabilities of S\$0.1 million; (ii) interest expense on convertible bond of S\$0.3 million; and (iii) changes in estimated future cash flows on other financial liabilities of S\$0.4 million.

Income tax expense decreased by S\$0.2 million or approximately 23.1% due to lower taxable profit recorded in FY2020 as compared to FY2019. As a result of the abovementioned, profit after income tax decreased by S\$4.4 million or approximately 52.1% in FY2020.

FINANCIAL POSITION

Plant and equipment increased from S\$1.1 million to S\$1.9 million due to additions of plant and equipment for new clinics partially offset by an allowance for impairment loss on plant and equipment. Intangible assets comprise of goodwill and computer software. The decrease in intangible assets from S\$5.9 million to S\$4.1 million was primarily due to the decrease in goodwill of S\$1.1 million from the disposal of investments in HMC and CTK; and an allowance for impairment loss on goodwill of a subsidiary of S\$0.7 million. Right-of-use assets of S\$2.6 million arose from the adoption of SFRS(I) 16.

Investment in associate arose from the investment in Medistar Services Pte. Ltd. ("**Medistar**") of S\$0.5 million in July 2019. Financial assets at FVTPL decreased by S\$1.4 million mainly due to the decrease in fair value and capital reduction of S\$2.0 million and S\$0.1 million respectively, offset by an addition of S\$0.7 million of investment in unquoted equity interest classified as financial assets at FVTPL. DFI classified under assets increased by S\$1.9 million due to recognition of financial assets for put option of a subsidiary and forward purchase contract of an associate. Advance payments comprise of payment for proposed acquisition of a subsidiary (FY2019: an associate). The decrease from S\$0.1 million to S\$0.02 million was mainly due to lower advance payment made during the year.

Inventories increased by S\$0.2 million due to an increase in medication and consumables purchased during the year, coupled with lower revenue towards the end of the financial year due to the circuit breaker measures in place. Trade and other receivables decreased by S\$0.8 million mainly due to a decrease in trade receivables outstanding from patients in line with lower revenue. Prepayments increased by S\$0.1 million due to advance payment for purchase of medical equipment for an existing clinic and other expenses.

Capital reserve changed by S\$3.8 million due to recognition of differences between the consideration paid and the carrying amount of additional 19% and 16.7% equity interest acquired in JOES and Medical Services @ Tampines Pte. Ltd. ("**MST**") in October and September 2019 respectively; other reserve changed by S\$1.1 million due to recognition of financial liability for forward purchase contract of a subsidiary.

DFI classified under liabilities decreased by S\$0.6 million due to derecognition of DFI upon the disposal of HMC and CTK. Other financial liabilities comprise present value of the exercise 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 from S\$0.8 million to S\$2.4 million was due to recognition of financial liability for forward purchase contract of a subsidiary and remeasurement of financial liability for one of the forward purchase contracts.

Non-current bank borrowings amounted to S\$5.0 million were drawn down during FY2020 for working capital purpose whereas the decrease in current bank borrowings of S\$0.5 million is due to the repayments of short-term loans. Current and non-current lease liabilities of S\$2.7 million arose from the adoption of SFRS(I) 16. Trade and other payables decreased by S\$0.6 million mainly due to lower provision of bonus for the current financial year.

CASH FLOW

The Group recorded net cash from operating activities of S\$6.5 million in FY2020 as compared to net cash from operating activities of S\$6.8 million in FY2019, due to higher operating payments.

In FY2020, net cash used in investing activities was primarily related to the acquisition of additional equity interest in JOES and MST of S\$2.9 million and the purchase of plant and equipment for new clinics of S\$1.3 million.

Net cash used in financing activities in FY2020 mainly related to (i) the payment of FY2019 final dividends of S\$1.8 million and FY2020 interim dividends of S\$1.9 million to shareholders; (ii) dividends paid to non-controlling interests of S\$0.5 million; (iii) repayments of bank borrowings of S\$0.5 million; and (iv) repayments of obligations under leases of S\$0.8 million.

Overall, the Group recorded a net increase in cash and cash equivalents of S\$1.8 million in FY2020, resulting in cash and cash equivalents of S\$6.8 million as at 31 May 2020.

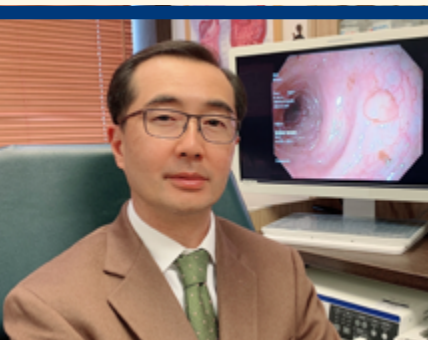
BOARD OF DIRECTORS



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 and 26 September 2019. Since 2016, he has been the Executive Vice President of TÜV SÜD Asia Pacific Pte. Ltd. where he supervised a global network of wireless laboratories. 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, chief executive officer and a director of the board. 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; and an independent director of Singapore Paincare Holdings Limited, a company listed on the Catalist Board of the SGX-ST, since 17 June 2020.

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. Mr. Chong was also awarded the Standard Council Merit Award by SPRING Singapore (currently known as Enterprise 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 and 27 September 2018. 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 27 September 2018; 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 was an elected member of the Singapore Medical Council from October 2016 to October 2019.

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 and 26 September 2019. Mr. Lim has worked in the medical equipment industry for over 18 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 now runs a medical supplies trading company. 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 24 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 19 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 13 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.

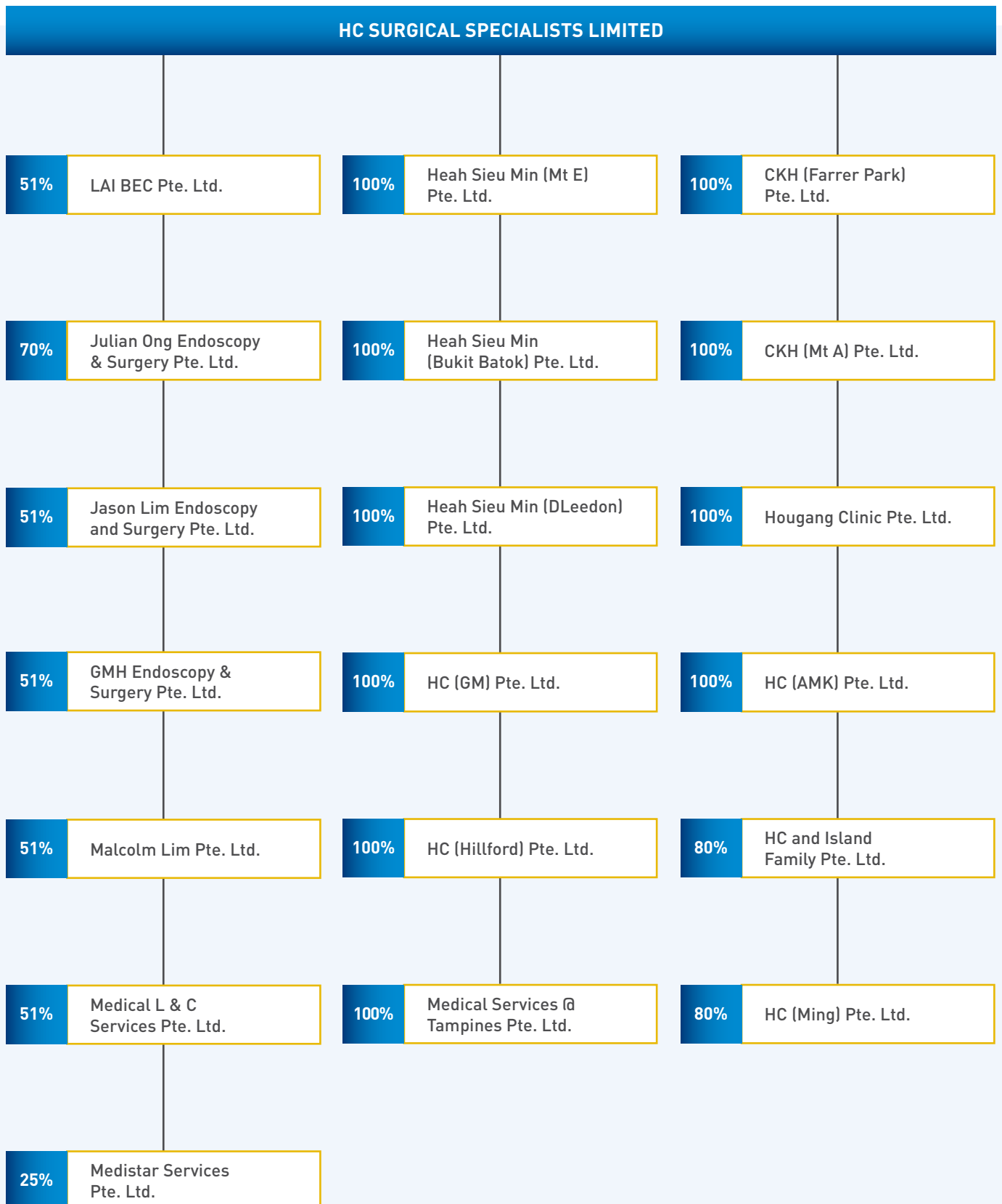


MS. CAI TING TING
Chief Nursing Officer

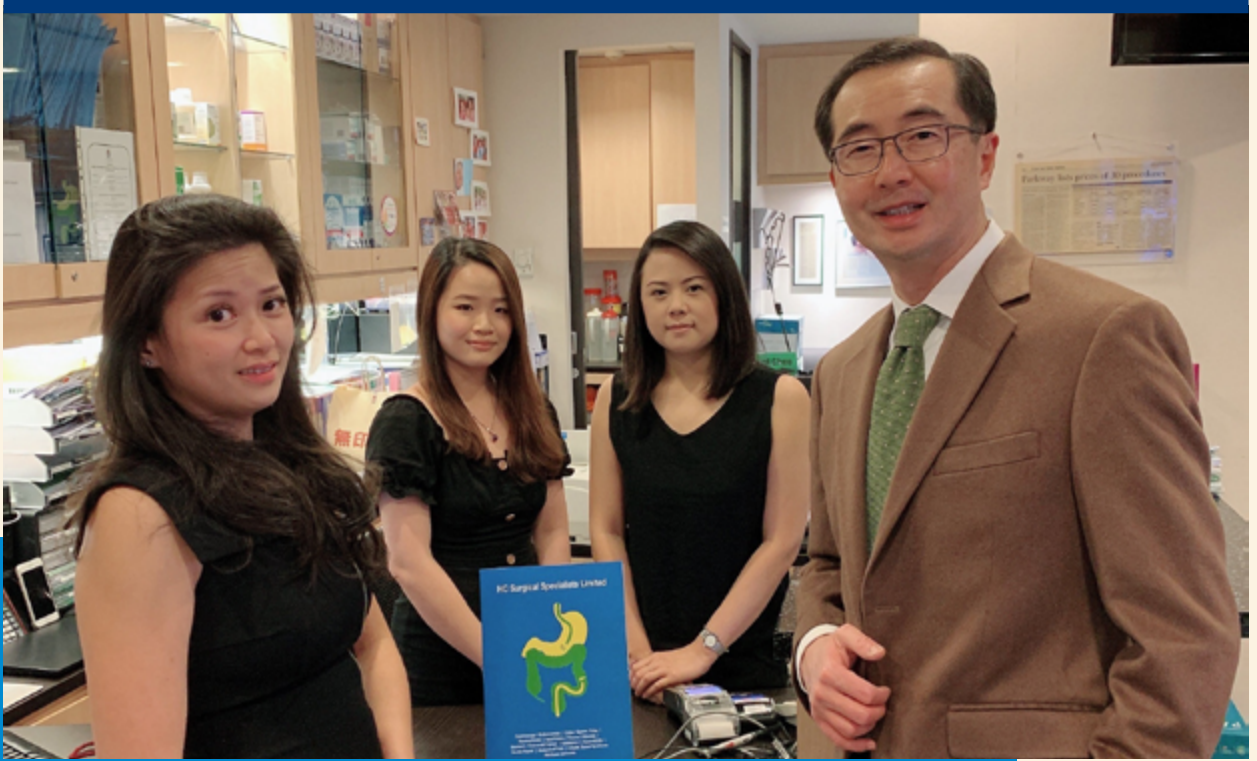
Ms. Cai Ting Ting has been with our Group since 2008 and was previously our Operations and Marketing Manager. She is re-designated to our Chief Nursing Officer on 1 March 2018 and is responsible in upholding the Group's nursing standards in accordance to the guidelines under the Ministry of Health, in addition to overseeing the Group's marketing plans. Ms. Cai previously worked at Singapore General Hospital, 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:

- 01 HAEMORRHOIDS
- 02 ANAL FISSURE
- 03 ANAL ABSCESS
- 04 ANAL FISTULA
- 05 LIPOMAS AND CYSTS
- 06 HERNIA
- 07 CHOLECYSTITIS
- 08 APPENDICITIS
- 09 COLORECTAL CANCER
- 10 GASTRIC CANCER



OUR SERVICES

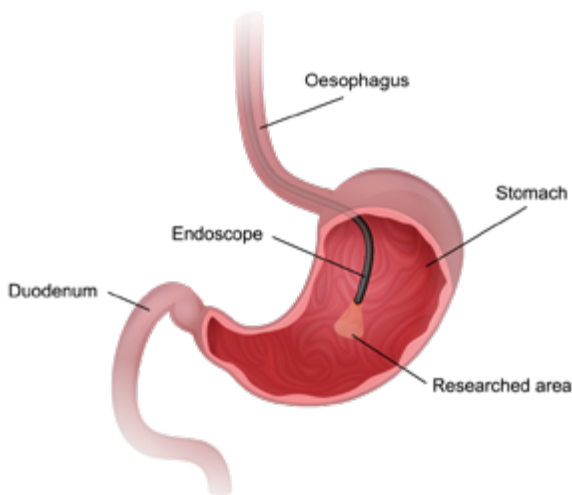
Information on some of the typical endoscopic procedures we perform, the conditions we treat and related treatments commonly carried out by us are set out as follows:

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.

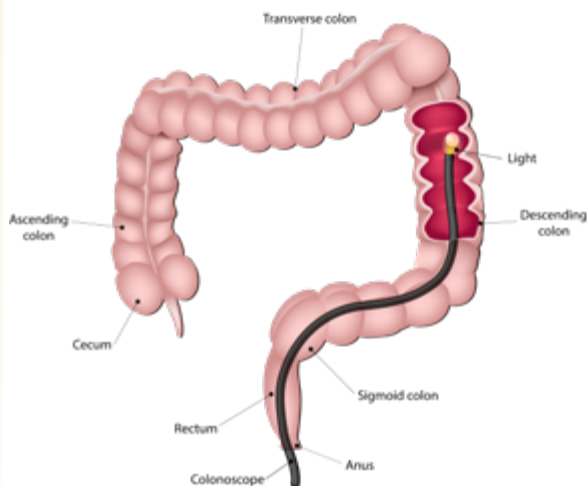


GASTROSCOPY

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:

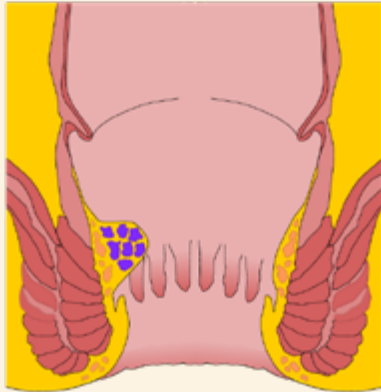
- Investigate problems such as difficulty in swallowing or persistent abdominal pain.
- Diagnose conditions such as gastritis, stomach ulcers or gastro-oesophageal reflux diseases and stomach cancer.
- Treat conditions like bleeding ulcers, blockage in the oesophagus, polyps or small benign tumours.



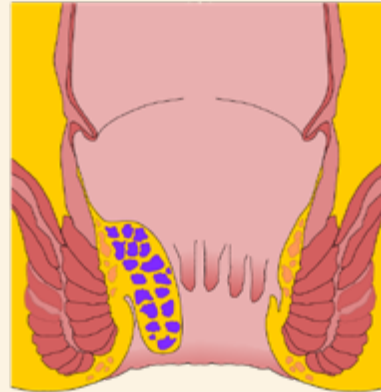
COLONOSCOPY

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).

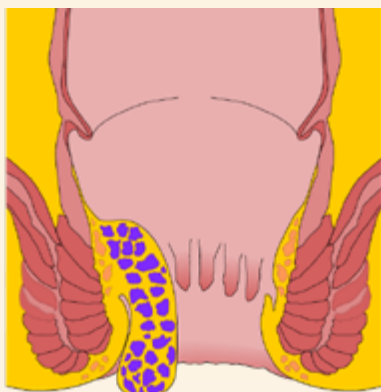
TYPES OF OTHER DISEASES



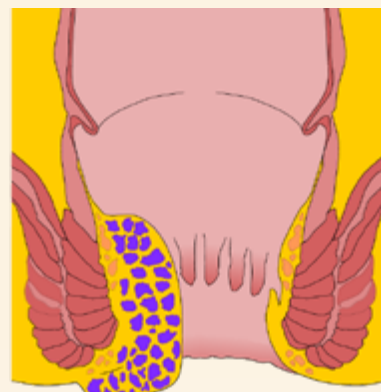
First degree



Second degree



Third degree



Fourth degree

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**

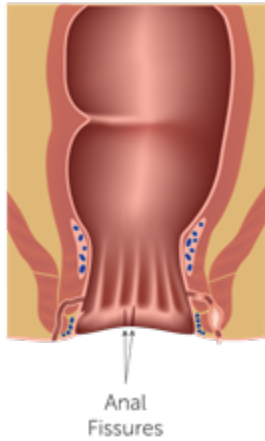
Piles that are prolapsed and must be manually reduced.

■ **FOURTH DEGREE**

Piles that are permanently prolapsed and cannot be reduced, or piles with painful blood clots.

OUR SERVICES

TYPES OF OTHER DISEASES

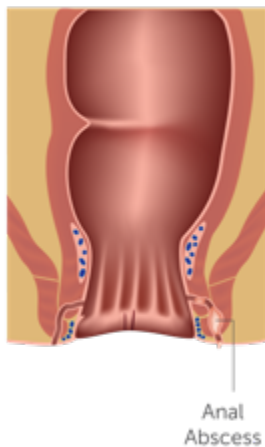


ANAL FISSURE

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

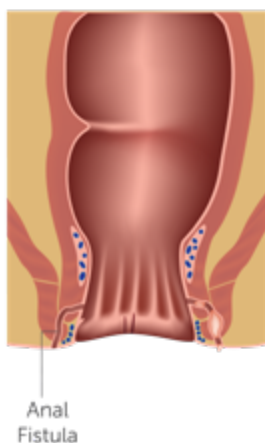
This usually occurs after passing out hard stools. Pain is often severe and common symptoms include:

- 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

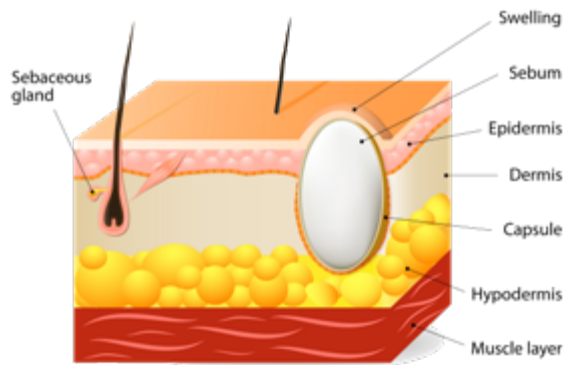
Anal abscess is the build-up of pus in the rectum and anus. Symptoms include anal pain and fever. If this is not fully treated, it can lead to anal fistula. Treatment usually involves draining the infected fluid and dressing of the wound after the operation.



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.

TYPES OF OTHER DISEASES

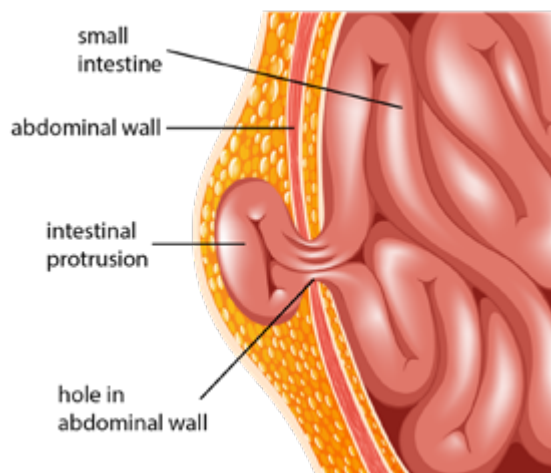


LIPOMAS AND CYSTS

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:

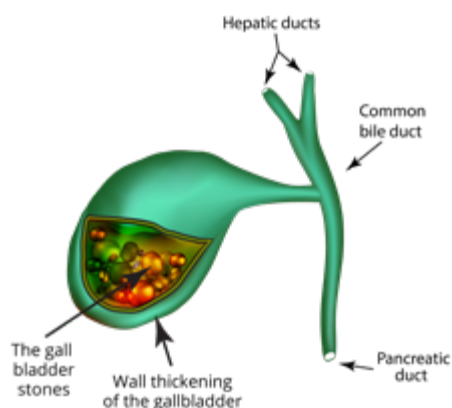
1. Open surgery

- 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.

Inflammation of the gallbladder

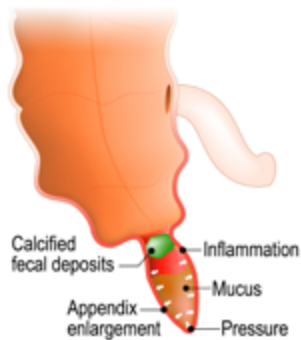


CHOLECYSTITIS

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).

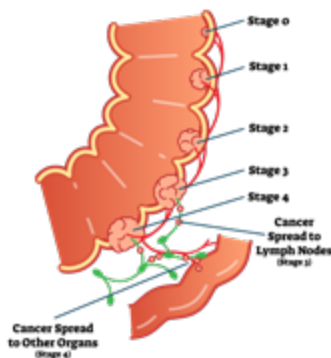
OUR SERVICES

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.

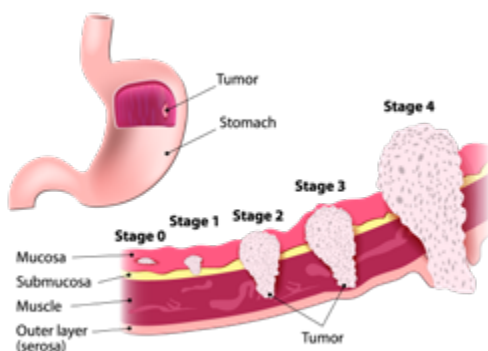


COLORECTAL CANCER

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



PHPC / SASH / CHAS SERVICES

Our general practitioner clinic, ACMS Medical Clinic, is located in central Orchard area and provides a range of services, including:

- health screening
- management of acute and chronic conditions
- pre-employment check-up

In addition, it is also enrolled in the following:

- Public Health Preparedness Clinic (PHPC) scheme
- Swab and Send Home (SASH) Programme
- Community Health Assist Scheme (CHAS)



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. LAI JIUNN HENG
MBBS (Singapore),
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. 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 was an elected member of the Singapore Medical Council from October 2016 to October 2019.



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.



DR. GOH MINGHUI
MBBS (Singapore),
MMed (Surgery),
FRCSEd (General Surgery)

Dr. Goh Minghui graduated from Yong Loo Lin School of Medicine, National University of Singapore in 2007 and started her surgical training at Singapore General Hospital (SGH) in 2008. In 2016, Dr. Goh was made a Consultant Surgeon in the Department of Colorectal Surgery at SGH.

Dr. Goh was awarded the SingHealth Manpower Development Plan award in 2018 and embarked on a one-year fellowship at Prince of Wales Hospital in Hong Kong where she was trained in minimally invasive techniques for colorectal surgery. These included laparoscopic and robotic surgery.

Outside of clinical work, Dr. Goh was also appointed as clinical lecturer with the Department of Surgery at Yong Loo Lin School of Medicine, National University of Singapore. Dr. Goh joined our Group in July 2020.

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. 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. 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. 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.



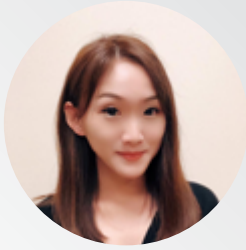
DR. WONG YIK MUN
MBBS (Singapore)

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 TEAM



Carrie



Cecilia



Connie



Hui Theng



Melissa



Tingting



Jennifer



Jia Yi



Yu Jie



Charmaine



Rudiana



Joyce



Aqila



Carmen



Jasmine



Hazel



Kelly



Alice



Cassandra



Sheeny



Carol



Elaine



Jolene



Meera



Emily



Farah



Juliana



Melcia



Seekhim



Serene



Jenny



Sophia



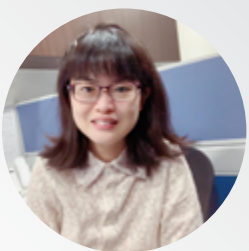
Theodora



Tianyong



Kit



Yuan Hui



Sandy



Wendy

OUR ENDOSCOPY CENTRES



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

HC Surgical Specialists has twelve Endoscopy centres island-wide with twelve 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 and bus interchanges.

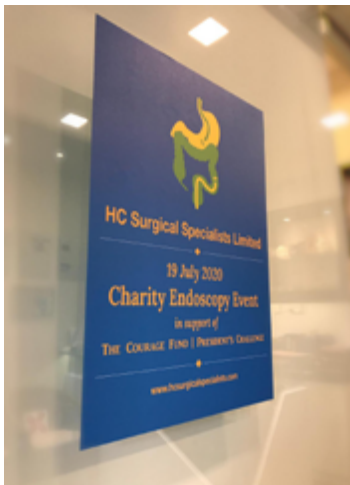
Each endoscopy centre is licensed and fully equipped for day-case endoscopy and minor colorectal procedures. Our team of experienced administrative staff with trained and dedicated nurses ensure a high standard of patient care for all our patients.

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.

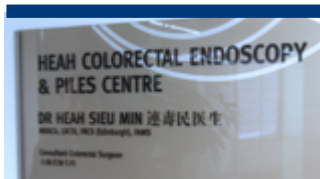


CORPORATE SOCIAL RESPONSIBILITY

Endoscopy Charity Event - 19 July 2020



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



9 ISLAND FAMILY CLINIC AND ENDOSCOPY CENTRE

338 Anchorvale
Crescent
#01-08
Singapore 540338
Tel: +65 6281 0174



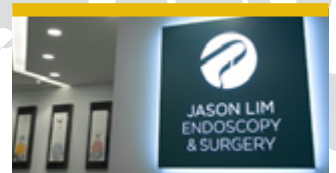
10 HC THYROID HERNIA & GENERAL SURGERY CENTRE

820 Thomson Road
#06-08 Mount Alvernia
Medical Centre A
Singapore 574623
Tel: +65 6254 0284



11 JULIAN ONG ENDOSCOPY & SURGERY

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



12 JASON LIM ENDOSCOPY & SURGERY (NOVENA)

38 Irrawaddy Road
#05-49 Mount Elizabeth
Novena Specialists Centre
Singapore 329563
Tel: +65 6779 0115



13 LAI ENDOSCOPY & COLORECTAL SURGERY

3 Mount Elizabeth
#05-06 Mount Elizabeth
Medical Centre
Singapore 228510
Tel: +65 6737 0027



14 ACMS MEDICAL CLINIC

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



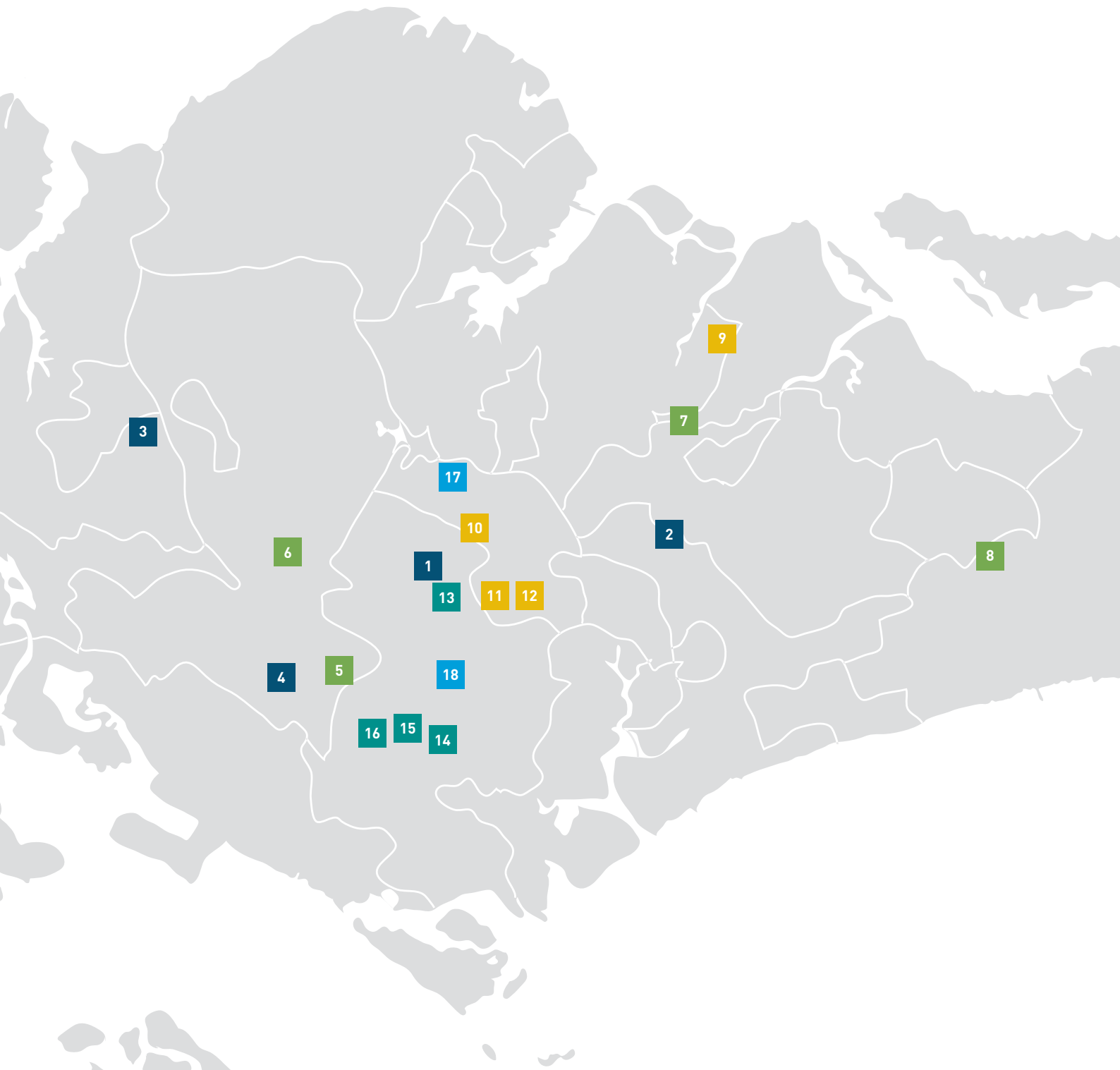
15 THE MING CLINIC

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



16 HC MING ENDOSCOPY & PILES CENTRE

1 Orchard Boulevard
#04-01/02
Camden Centre
Singapore 248649
Tel: +65 8870 0863



17 HC ENDOSCOPY & PILES CENTRE (AMK)
 Blk 710A
 Ang Mo Kio Ave 8
 #01-2629
 Singapore 561710
 Tel: +65 6337 0449



18 JASON LIM ENDOSCOPY & PILES CENTRE
 10 Sinaran Drive,
 #09-12 Novena
 Medical Centre
 Singapore 307506
 Tel: +65 6553 0115

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

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Republic Plaza Tower 1
Singapore 048619

FINANCIAL CONTENTS

Corporate Governance Report	<u>34</u>	Consolidated Statement of Cash Flows	<u>74</u>
Directors' Statement	<u>57</u>	Notes to the Financial Statements	<u>77</u>
Independent Auditors' Report	<u>61</u>	Statistics of Shareholdings	<u>162</u>
Statements of Financial Position	<u>69</u>	Notice of Annual General Meeting	<u>164</u>
Consolidated Statement of Comprehensive Income	<u>71</u>	Disclosure of Information on Directors seeking Re-election	<u>172</u>
Consolidated Statement of Changes in Equity	<u>72</u>	Proxy Form	

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

INTRODUCTION

HC Surgical Specialists Limited (“**HC Surgical**” 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 Code of Corporate Governance 2018 (the “**Code**”) issued on 6 August 2018. This report describes the Group’s corporate governance practices that were in place throughout the financial year ended 31 May 2020 (“**FY2020**”), with specific reference made to the principles and provisions as set out in the Code and Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of the Catalist (the “**Catalist Listing Manual**”) where applicable except where otherwise stated. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code.

(A) BOARD MATTERS

The Board’s Conduct of its Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The primary function of the Board of Directors (the “**Board**”) is to provide effective leadership and direction and work with Management to enhance the long-term value of the Group to its shareholders and other stakeholders.

The Board sets the tone for the Group in respect of ethics, values and desired organisational culture, and ensures proper accountability within the Group.

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 general, 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.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

Directors are required to promptly disclose any conflict or potential conflict of interest, whether directly or indirectly, in relation to any matters, transactions or proposed transactions with the Group as soon as is practicable after the relevant facts have come to their knowledge. Any Director who has a conflict of interest which is likely to impact his independence or conflict with a subject under discussion by the Board is required to immediately declare his interest to the Board and recuse himself from participating in any discussion and voting on the subject matter.

Directors are constantly kept abreast of developments in the business including changes to laws and regulations, corporate governance, financial reporting standards and industry-related matters that are of relevance to the Group through participation in the relevant training courses, seminars, and workshops conducted by Management and professional advisers. The Company is responsible for arranging and funding the training of directors, where required.

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 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.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

The table below shows the trainings and briefings attended by the Directors in FY2020:-

Name of Director	Course	Training Provider	Frequency
Mr. Chong Weng Hoe	AC Chapter Pit Stop - Webinar Series (WEB1) The Approaching Storm - Know Your Corporate Sea-Worthiness	Singapore Institute of Directors	Once
	AC Chapter Pit Stop - Webinar Series (WEB2) Into the Storm - Minimise and Repair the Damage	Singapore Institute of Directors	Once
Dr. Heah Sieu Min	Fireside Chat with ESM Goh Chok Tong	Singapore Institute of Directors	Once
	SID Directors Conference 2019	Singapore Institute of Directors	Once
	Fireside Chat - Go Big or Go Home?	Singapore Institute of Directors	Once
	AC Chapter Pit Stop - Webinar Series (WEB1) The Approaching Storm - Know Your Corporate Sea-Worthiness	Singapore Institute of Directors	Once
	AC Chapter Pit Stop - Webinar Series (WEB2) Into the Storm - Minimise and Repair the Damage	Singapore Institute of Directors	Once
Dr. Chia Kok Hoong	Fireside Chat - Go Big or Go Home?	Singapore Institute of Directors	Once
Mr. Ooi Seng Soon	ACRA-SGX-SID Audit Committee Seminar 2020	Singapore Institute of Directors	Once
Mr. Lim Chye Lai, Gjan	Navigating Through a Financial Fraud Investigation	Singapore Institute of Directors	Once

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, namely the Audit Committee (“**AC**”), Nominating Committee (“**NC**”), and Remuneration Committee (“**RC**”) (collectively the “**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.

The Board has delegated certain functions to various Board Committees. The Board Committees are constituted with clear written terms of reference setting out their compositions, authorities and duties. While the Board Committees have the authority to examine and may approve certain matters, the Board Committees generally report to the Board with their recommendations for the Board’s decisions.

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 Board and Board Committees also make decisions by way of written circularized resolutions.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

The Directors' attendance at the Board's, the Board Committees' and general meetings of the Company held in FY2020 is as below:-

	Board Meetings	Audit Committee Meetings	Nominating Committee Meeting	Remuneration Committee Meetings	Annual General Meeting	Litigation Committee Meetings
No. of meetings held	7	3	1	3	1	2
Name of Director	Number of Meetings Attended					
Mr. Chong Weng Hoe	7	3	1	3	1	2
Dr. Heah Sieu Min	7	3*	1*	3*	1	-
Dr. Chia Kok Hoong	5	3*	-	2*	1	2
Mr. Lim Chye Lai, Gjan	7	3	1	3	1	2
Mr. Ooi Seng Soon	7	3	1	3	1	2

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

The NC assessed each Director's contribution and devotion of time and attention to the Company's affairs, having regard to his attendance at the directors' meetings, directorship in other listed companies, principal commitments, and is of the view that the number of directorships in listed companies and principal commitments are not significant and there were sufficient time and attention to the Company's affairs given by each Director during the course of FY2020.

Each Director's listed company board directorships and principal commitments can be found in the Board of Directors Profile section of the Annual Report.

Management recognises the importance of ensuring the flow of information to the Directors is on an ongoing basis to enable them to make informed decisions and 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 Board has, at all times, separate and independent access to Management through electronic mail, telephone and face-to-face meetings and may request for any additional information needed at any time to enable them to make informed decisions. Key Management, the Company's auditors and external consultants are invited to attend Board and Board Committees meetings to update and provide independent professional advice on specific issues, if required.

Should Directors, whether as a group or individually, require professional advice, the Group, upon direction by the Board, shall appoint a professional advisor, selected by the Group and approved by the Chairman, to render the advice. The cost of such service shall be borne by the Group.

Directors have separate and independent access to the Company Secretary. The Company Secretary's responsibilities include among other things, assisting in ensuring that Board procedures are observed and that the Company's Constitution, relevant rules and regulations, including requirements of the Securities and Futures Act, Companies Act and Listing Manual, are complied with.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

The Company Secretary and/or her representative attend and prepare minutes for all Board and Board Committees meetings. The Company Secretary assists the Chairman of the Board, the Chairman of the Board Committees and Management in the development of the agendas for their meetings. The appointment and the removal of the Company Secretary are subject to the Board's approval.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

The NC is tasked to determine on an annual basis and as and when the circumstances require, whether or not a director is independent in conduct, character and judgement, and has any relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company.

For the purpose of determining each Independent Director's independence, every Independent Director has provided a declaration on their independence for acting as a Director of the Company based on the requirements under the Code and deliberated upon by the NC and the Board.

With regard to Provision 2.1 of the Code which requires that the independence of any director who has served on the Board beyond nine (9) years from the date of first appointment be subject to particularly rigorous review, the Board confirms that none of the independent Directors has served on the Board beyond nine (9) years from the date of his appointment.

The NC has assessed the independence of each of the Directors in FY2020. After having considered the declarations made by Mr. Chong Weng Hoe and Mr. Ooi Seng Soon and taking into account the independent criteria set out under the Code, the NC determined that the named Directors are independent.

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	-	-	-
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 appropriate and has an appropriate level of independence.

Given that the Chairman and the CEO are of different persons and not familiarly related, and the Chairman is an Independent Director, it is not a requirement for the Company to appoint a Lead Independent Director. In addition, the non-executive directors (the "NEDs") of the Company comprise the majority of the Board.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

The Company recognizes that board diversity is an essential element contributing to its sustainable development and strategic success. The Company believes that board diversity augments decision-making and a diverse board is more effective in dealing with organizational changes and less likely to suffer from group think.

The Group has in place a Board Diversity Policy, which endorses the principle that its Board should have a balance of skill, knowledge, experience and diversity of perspectives appropriate to the Group's business to promote the inclusion of different perspectives and ideas, to mitigate against group think.

The NC reviewed the composition of the Board and the Board Committees during the course of FY2020 and is of the view that the current Board and Board Committees are of an appropriate size and comprise directors with appropriate balance and mix of skills, knowledge, experience and age except for gender.

Accordingly, one of the objectives of the NC is to identify and recommend suitable female director, preferably with different skills and knowledge from the current Directors, such as legal, for appointment to the Board to further diversify its current skill sets and gender, at the appropriate time.

During the year, the NEDs and Independent Directors communicate among themselves without the presence of Management as and when the need arises. The Chairman of the meeting then provided feedback to the Board and/or Management, as appropriate. The Company also benefits from Management's ready access to its Directors for guidance and exchange of views both within and outside the formal environment of the Board and Board Committee meetings.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The Board is chaired by Mr. Chong Weng Hoe, Non-executive Chairman and Independent Director of the Company while Dr. Heah Sieu Min is the CEO of the Company during the course of FY2020.

The Non-executive Chairman and the CEO are not related. Hence, there is a clear division of responsibilities to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for decision-making and representation.

The Chairman is responsible for:

- leading the Board to ensure its effectiveness;
- managing the Board's business, including supervising the work of the Board Committees;
- setting the Board's agenda and ensuring the information flow and timing are adequate for discussion of all set agenda items, in particular strategic issues;
- setting the tone of Board discussion to promote open and frank debate and effective decision-making;
- facilitating the effective contribution of Non-executive and Independent Directors;
- promoting high standards of corporate governance;
- ensuring effective communication with shareholders; and
- encouraging constructive relations with the Board and between the Board and Management.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

The CEO is responsible for:

- developing the Group's business and operational strategies;
- managing the present businesses of the Group;
- implementing the Board's decisions;
- providing oversight of the commercial, marketing, business development, quality, health, safety, security and environmental functions; and
- managing and overseeing the ongoing debts and corporate restructuring exercise of the Group.

The Chairman and the CEO of the Company are separately held by two unrelated individuals. In light of the foregoing, the Board has no intention to appoint a lead independent director.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The NC comprises the following three members, the majority of whom, including the NC Chairman, are Independent Directors:-

- Mr. Chong Weng Hoe (NC Chairman), Non-executive Chairman and Independent Director
- Mr. Ooi Seng Soon, Independent Non-executive Director
- Mr. Lim Chye Lai, Gjan, Non-Independent Non-executive Director

The NC's principal functions include:-

- nomination and re-nomination of the Directors of the Company for re-election, having regard to their contribution, performance, and ability to commit sufficient time and attention to the affairs of the Group, taking into account their respective commitments outside the Group;
- determine on an annual basis, whether a Director is independent;
- assess whether a Director is able to and has been adequately carrying out his/her duties as a Director;
- review of Board succession plans for Directors, and in particular, the appointment and/or replacement of the Chairman, the CEO and Key Management Personnel;
- develop and implement a process and criteria for evaluation of the performance of the Board, the Board Committees and Directors;
- assess the effectiveness of the Board as a whole, the Board Committees and individual Director;
- review of training and professional development programs for the Board and its Directors;
- review and approval of new employment of persons related to the Directors and controlling shareholders and the proposed terms of their employment; and
- appointment and re-appointment of directors (including alternate directors, if any).

The Company has no alternate director on its Board.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

The NC has put in place a formal process for the selection of new directors to increase transparency of the nomination process in identifying and evaluating nominees for directors. The NC leads the process as follows:

- Evaluates the balance, skills, knowledge, and experience of the existing Board and the requirements of the Group. In light of such evaluation, the NC determines the role and the key attributes that an incoming director should have;
- After endorsement by the Board of the key attributes, the NC taps on the resources of Directors' personal contacts and recommendations of the potential candidates and goes through a short-listing process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed in the search process;
- Meets the shortlisted candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required; and
- Recommends the most suitable candidate to the Board for appointment as director.

The NC also ensures that new directors are aware of their duties and obligations.

The NC is responsible for recommending retiring Directors for re-election. In its deliberations on the nomination of re-election of existing Directors, the NC takes into consideration the Director's contribution and performance (including his contribution and performance as an Independent Director, if applicable).

The assessment parameters include attendance record and preparedness at meetings of the Board and Board Committees as well as the quality of input to matters arising and any other special contribution.

All Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. 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 by rotation and be subject to re-election at the Annual General Meeting ("**AGM**") of the Company.

In addition, the Company's Constitution provides that a newly appointed director by the Board during the financial year must retire and submit himself/herself for election at the next AGM following his/her appointment. Thereafter, he/she is subject to be re-elected at least once every three years.

Pursuant to Regulation 97 of the Company's Constitution, Dr. Heah Sieu Min and Mr. Ooi Seng Soon are subject to retirement by rotation at the forthcoming AGM. Both the retiring Directors, being eligible, have offered themselves for re-election as a Director of the Company. The Board is satisfied that the retiring Directors are qualified for re-election by virtue of their skills, experience and their contribution of guidance and time to the Board. Each of the retiring Directors has abstained from deciding on his own nomination.

Dr. Heah Sieu Min will, upon re-election as a Director of the Company, remain as the CEO and Executive Director.

Mr. Ooi Seng Soon, will, upon re-election as a Director of the Company, remain as the Independent Non-executive Director. He will also remain as the Chairman of the AC, and member of the NC and RC.

Pursuant to Rule 720(5) of the Listing Manual, the information relating to Directors submitting for re-election as set out in Appendix 7F of the Listing Manual is disclosed on page 172 of the Annual Report.

The NC determines annually, and as and when circumstances require, based on a Director's Independence Checklist completed, if a director is independent, having regard to the circumstances or independence criteria set forth in provision 2.1 of the Code. The NC determined that, during the course of FY2020, there was no Director whose relationships with the Company, its related corporations, its substantial shareholders or its officers, if any, affect their independence as an Independent Director of the Company. The Board is in accord with the NC's determination.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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. The NC also takes into account the the principal commitments and assessment results of each director, as well as the respective Directors' actual conduct on the Board.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The NC conducts an annual assessment on the performance of the Board as a whole, the Board Committees and individual Directors and takes into account each Director's contribution and devotion of time and attention given to the Company. It also assesses whether each director is willing and able to constructively challenge and contribute effectively to the Board.

This process is conducted using a questionnaire designed to assess the performance of the Board and the Board Committees. Individual Directors are assessed on self-evaluation basis. The responses received from the questionnaires are then tabulated and collated before giving to the Chairman of the NC for his review and discussion at the NC meeting. The conclusion of the assessment derived from the consolidated results and recommendations are then presented to the Board for its review and adoption, if deem necessary.

The Board reviews the evaluation conducted by the NC based on the consolidated results received from the Directors and recommendations put forward by the Directors for improvement of performance and effectiveness of the Board, the Board Committees and individual Directors. Following the review, the Board is of the view that the Board, the Board Committees and individual Directors performed consistently good and operated effectively for FY2020.

The Directors, led by the NC, assessed the performance of the Chairman of the Board for FY2020 at the Board meeting held on 28 July 2020.

There were no external consultant or facilitator involved in the Board evaluation process in FY2020.

The NC performed the following activities in FY2020:-

- reviewed the current Board size and composition;
- reviewed the election and re-election of Directors, and made recommendation to the Board for their approval;
- reviewed the independence of the Independent Directors;
- evaluated the performance and effectiveness of the Board, the Board Committees, Individual Directors and the Chairman;
- reviewed the training and professional development programs for the Directors;
- reviewed and set objective performance criteria for the Board, the Board Committees, Individual Directors and the Chairman;
- reviewed matters relating to Board diversity; and
- reviewed succession plans for the Board and Key Management Personnel.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and Key Management Personnel. No director is involved in deciding his or her own remuneration.

The RC comprises the following three members, all of whom are non-executive, and the majority of whom, including the RC Chairman, are Independent Directors:

- Mr. Chong Weng Hoe (RC Chairman), Non-executive Chairman and Independent Director
- Mr. Ooi Seng Soon, Independent Non-executive Director
- Mr. Lim Chye Lai, Gjan, Non-Independent Non-executive Director

The RC is responsible for ensuring a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual Directors and Key Management Personnel, including termination terms. 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:

- 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 benefit-in-kind;
- review and recommend to the Board, the specific remuneration packages for each Director as well as for the Key Management Personnel;
- consult professional consultancy firms where necessary in determining remuneration packages;
- consider the various disclosure requirements for Directors' remuneration and ensure that there is adequate disclosure in the financial statements and annual report to enhance transparency between the Company and relevant interested parties; and
- review all aspects of remuneration of Executive Directors and Key Management Personnel including the Company's obligations arising in the event of termination of their service contracts, to ensure the contracts contain fair and reasonable termination clauses which are not overly generous.

The RC has access to the professional advice of external experts in the area of remuneration, where required.

No remuneration consultants were engaged by the Company in FY2020.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and Key Management Personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

The Company adopts a remuneration policy for its Executive Directors and Key Management Personnel 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 other stakeholders and promotes long-term success of the Group.

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.

For the purpose of assessing the performance of the Executive Directors and Key Management Personnel, key performance indicators ("**KPIs**") are set out for each year. The KPIs are principally based on the achievement of the objectives of the respective functions that the Executive Directors and Key Management Personnel are in.

The RC reviews the remuneration of the NEDs to ensure the remuneration of the NEDs of the Company is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities. NEDs are also eligible to participate in the Share Plans so as to better align the interests of such NEDs with the interests of shareholders.

The RC ensures the Independent Directors are not over-compensated to the extent that their independence may be compromised. None of the Independent Directors have any service contracts with the Company.

The Board concurred with the RC's proposal for Independent Directors' fees for FY2020 and is of the view that the Directors' fees is appropriate and not excessive.

The remuneration of the Company's Directors and Key Management Personnel has been formulated to attract, retain and motivate the Directors to provide good stewardship of the Company and the Key Management Personnel to successfully manage the Company for the long term. The level and structure of remuneration are aligned with the long-term interests and risk policies of the Company.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

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 analyzing the advantages and disadvantages in relation to the disclosure of remuneration of each Director, is of the view that such disclosure would be prejudicial 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, the Company and 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 KPIs 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 KPIs in respect of FY2020.

The breakdown of the remuneration of the Directors of the Company for FY2020 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	–	74.0	25.0	1.0	100.0
S\$500,001 and S\$750,000					
Dr. Chia Kok Hoong	–	74.0	23.0	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 allowance made available to Directors as appropriate.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

The Company has three (3) top Key Management Personnel only. The breakdown of the remuneration of the three (3) Key Management Personnel of the Company (who are not Directors or CEO) 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. Sophia Ong	-	72.0	28.0	-	100.0
Ms. Ouyang Yuxia, Connie	-	79.0	21.0	-	100.0
Ms. Cai Ting Ting	-	78.0	22.0	-	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 prejudicial to its business interest given the highly competitive environment.

There were no employees who are immediate family members of a Director or the CEO or a substantial shareholder of the Company and whose remuneration exceeded S\$100,000 in FY2020.

Save for Dr. Heah Sieu Min and Dr. Chia Kok Hoong who are the substantial shareholders of the Company, there is no employee who is a substantial shareholder of the Company.

The Company is transparent on remuneration policies as it has been disclosed not only as part of its compliance with Principle 8 but also in respect of Principle 7 of the Code. In particular, the Company has elaborated on the remuneration policy governing the remuneration of Executive Directors and Key Management Personnel and the factors taken into account for the remuneration of the NEDs. The Company has also disclosed the remuneration paid to each Director, the Chairman and the Key Management Personnel using bands of S\$250,000 for transparency.

The procedure for setting remuneration is clearly disclosed and the relationships between remuneration, performance and value creation are disclosed through the Company's disclosure on its remuneration policies, as well as the disclosed remuneration in bands of no wider than S\$250,000 and the breakdown of the components of their remuneration.

The Board is of the view that in light of the above and despite its deviation from Provision 8.1 of the Code, the Company has provided a high level of transparency on remuneration matters, as information on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation had been disclosed in detail in the preceding paragraphs. Accordingly, the Board is of the view that the non-disclosure of the exact quantum of the remuneration of each Director and Key Management Personnel will not be prejudicial to the interest of shareholders and complies with Principle 8 of the Code.

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

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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 NEDs (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 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 FY2020. 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.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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 NEDs (including Independent Directors), controlling shareholders and their associates provided they have met the eligibility criteria.
Administration of 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 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 2020. Further details on the HCSS ESOS are set out in the Company's Offer Document dated 25 October 2016.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

The RC performed the following activities in FY2020:-

- Reviewed the remuneration packages for employees and key executives and making recommendation to the Board for approval;
- Reviewed the Directors' fees and making recommendation to the Board for approval; and
- Administered the HCSS PSP and HCSS ESOS.

(C) ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

The Board is responsible for the governance of risk. It ensures that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets. The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation.

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.

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.

Messrs. TRS Forensics Pte Ltd ("**TRS**") was engaged in FY2020 to assist Management in developing the best practices by putting forward appropriate recommendations for Management's implementation and actions for information technology and cybersecurity controls. The Board and the AC also work with the internal auditors, external auditors, and Management on their recommendations to institute and execute relevant controls to manage the risks identified in the assessment.

The Board received assurance from the CEO and the Chief Financial Officer ("**CFO**") that 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 the Group's risk management and internal control systems are adequate and effective as at 31 May 2020.

Based on the internal controls established and maintained by the Group, work performed by the internal auditors, discussions with external auditors, reviews performed by Management and the assurances provided by the CEO and CFO as stated in the above paragraph, the Board, with the concurrence of the AC, is of the view that the Group's internal controls (including financial, operational and compliance and information technology controls) and risk management systems were adequate and effective for FY2020.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

Audit Committee

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

The AC comprises the following three members, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent:-

- Mr. Ooi Seng Soon (AC Chairman), Independent Non-executive Director
- Mr. Chong Weng Hoe, Non-executive Chairman and Independent Director
- Mr. Lim Chye Lai, Gjan, Non-Independent Non-executive Director

The Chairman of the AC, Mr. Ooi Seng Soon, graduated from the University of Singapore with a Bachelor of Arts in 1971 and has more than 24 years of experience in the banking and finance sector.

Mr. Chong Weng Hoe 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 has held numerous positions within TÜV SÜD PSB Pte. Ltd. since 1991 and sits on several listed companies as independent director.

Mr. Lim Chye Lai, Gjan graduated from Temasek Polytechnic with a Diploma in Electronics in 1998 and has worked in the medical equipment industry for over 18 years.

More detailed profiles of the Directors can be found on pages 10 and 11 of the Annual Report.

The NC and the Board are satisfied that the members of the AC have recent and relevant accounting or related financial management expertise and experience to discharge the AC functions.

No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the AC.

The duties of the AC include:

- review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;
- review at least annually the adequacy and effectiveness of the Group's internal controls and risk management systems;
- review the assurance from the CEO and the CFO on the financial records and financial statements;
- make recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;
- review the adequacy, effectiveness, independence, scope and results of the external audit and the internal audit functions; and
- review the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on, and ensure that the Company publicly discloses, and clearly communicates to employees, the existence of a whistleblowing policy and procedures for raising such concerns.

During the course of review of the financial statements for FY2020, the AC discussed with Management and the external auditors on the significant issues that were brought to the AC's attention. Material issues which the external auditors assessed to be most significant in its audit of the financial statements for the year under review are 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

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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 FY2020 are as stated below.

External Auditors Fees for FY2020	S\$	% of total fees
Total audit fees	172,000	100.0
Total non-audit fees	–	–
Total fees paid	172,000	100.0

There were no non-audit fees paid to the external auditors for FY2020.

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 Messrs. BDO LLP as the external auditors of the Company at the forthcoming AGM, taking into consideration the Audit Quality Indicators Disclosure Framework published by the Accounting and Corporate Regulatory Authority.

In the course of FY2020, the AC carried out the following activities:-

- reviewed the financial statements of the Company and the consolidated financial statements of the Group, and any announcements relating to the Group's financial performance before submission to the Board for approval;
- reviewed interested/related parties transactions;
- reviewed audit plan and assessed the independence of external auditors;
- reviewed internal audit plan and the appointment of internal auditors;
- reviewed the nomination of external auditors for re-appointment at the AGM and determined their remuneration, and made appropriate recommendations to the Board for approval; and
- met with the internal and external auditors of the Company without the presence of Management.

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 or half-yearly basis and as the Board may require from time to time. The AC reviews the financial statements and reports to the Board for approval.

The Board reviews and approves the results before its release. For FY2020, the Board had provided shareholders with quarterly and annual financial reports. Following the amendments to Catalist Rule 705, the Board has decided, after taking into due consideration the compliance efforts in connection therewith, not to continue with quarterly reporting of the Company and the Group's financial statements. Instead, the Company will announce the financial statements of the Company and the Group on a half-yearly basis. The financial statements for the first two quarters and the full financial year were released to shareholders within the timeframe in line with Rule 705 of the Catalist Listing Manual. In presenting the 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 AC is kept abreast by Management, the Company Secretaries and the independent auditors of changes to accounting standards, Catalist Rules and other regulations which could have an impact on the Group's business and financial statements.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

The Company has adopted a whistleblowing policy since 2016 which sets the framework to encourage the reporting 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.

The Company has outsourced its internal audit function to TRS. The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the firm for the internal audit function. The internal audit function has unfettered access to the Company's documents, records, properties and personnel, including the AC, and has appropriate standing within the Company.

The AC is satisfied that TRS is staffed by independent, suitably qualified and experienced professionals with the relevant experience and has adequate resources to perform its function effectively. Mr. Gary Ng, the head of the internal audit function team, is highly qualified with 15 years of audit, internal audit and risk management experience. TRS 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 has met with the external auditors and the internal auditors, without the presence of Management, twice in FY2020.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Group recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders, are protected.

The Group is committed to providing shareholders with adequate, timely, and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price.

The Group strongly encourages shareholders' participation during the AGM. Shareholders are able to proactively engage the Board and Management on the Group's business activities, financial performance, and other business-related matters.

The Board believes that general meetings serve as an opportune forum for shareholders to meet the Board and Key Management Personnel, and to interact with them. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers, as well as posted on the Company's website.

At the AGM, a member who is a relevant intermediary which provide nominee or custodial services is entitled to appoint more than two (2) proxies to attend, speak and vote at the meeting, so shareholders who hold shares through such intermediary can attend and participate in general meeting as proxies.

The Company conducts poll voting for all proposed resolutions at AGM for greater transparency in the voting process. The total numbers of votes cast for or against or abstain the resolutions will also be announced after the meeting via SGXNET.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and Management. Minutes of general meetings are published on the Company's corporate website at <http://www.hcsurgicalspecialists.com/en/investor-relation/news> as soon as it is practicable.

The Company provides for separate resolutions at general meetings on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are interlinked, the Company will explain the reasons and material implications in the notice of meeting.

All the resolutions at the general meetings are single item resolutions.

The Chairman of the Board and the Directors attend all general meetings to address questions and issues raised by shareholders. The external auditors are also present to address any relevant queries from shareholders on the conduct of audit and the preparation and content of the auditors' report. Key Management executives are also present at the general meetings to respond to operational questions from shareholders.

All Directors attended the AGM of the Company held on 26 September 2019.

The Company's Constitution allows all shareholders to appoint up to two (2) proxies to attend general meetings and vote on their behalf. As the authentication of shareholders' identity information and other related security issues still remain a concern, the Group has decided, for the time being, not to implement voting in absentia by mail, email or fax.

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. 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 FY2020, the Company had paid an interim dividend of 1.3 Singapore cents per ordinary share and is recommending a final dividend of 0.7 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 2.0 Singapore cents for FY2020, representing approximately 85.8% of the Group's earnings per share of 2.33 Singapore cents for FY2020, and 67.2% of the Group's operating profit after tax, slightly lower than 70.0% in view of the COVID-19 pandemic.

Engagement With Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

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.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

The Group's corporate website is the key resource of information for shareholders. In addition to the financial results materials, it contains a wealth of investor related information on the Group, including profiles of Key Management Personnel, list of announcements made via SGXNet, annual reports, dividend information and important Company policies like the whistleblowing policy and personal data protection policy.

All shareholders are encouraged to contact the Company with any queries or concerns. The contact details of the Company can be found easily on the corporate website. General meetings are good platforms for shareholders to engage with the Board and Management, as shareholders will be invited and are encouraged to ask questions on the resolutions tabled and to express their views. At the same time, they will be updated on the Group's corporate achievements and financial performance.

The Company has established an investor relations policy that governs regular, effective and fair communication with shareholders. A copy of the Company's investor relations policy is available on the corporate website of the Company.

The investor relations policy provided in the Company's website sets out mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions.

(E) MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement With Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to work towards sustainable growth. The Company's efforts on sustainability are focused on creating sustainable value for our key stakeholders, which include employees, lenders, investors, clients and regulators / Government.

The Company's strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period can be found in the Sustainability Report, which will be released by 31 October 2020.

The Company maintains a current corporate website at <http://www.hcsurgicalspecialists.com>. Members of the public may visit the website for updates on the Company's corporate information and SGXNet announcements.

The contact details of the Company are also available on the corporate website, to enable stakeholders to contact the Company, if required.

With the above, the Company hopes to have a good communication and engagement with all its stakeholders.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

(F) OTHER CORPORATE GOVERNANCE MATTERS

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. The details of IPTs entered into in FY2020 are set out as follows:-

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Chee and Heah Surgical Associates Pte. Ltd. (“CHSA”) ⁽¹⁾	S\$479,000	–
Farrer Park Holdings Pte. Ltd. (“FPH”) ⁽²⁾	S\$181,000	–
CH Hillford Investments Pte. Ltd. (“CHHI”) ⁽³⁾	S\$140,000	–
Total	S\$800,000	–

Notes:

- ⁽¹⁾ Rental of approximately half of the entire clinic premise at 3 Mount Elizabeth #12-06 Mount Elizabeth Hospital Singapore 228510 from CHSA, which is 50% owned by Dr. Heah Sieu Min (“HSM”), the Executive Director and CEO of the Company.
- ⁽²⁾ Rental of entire clinic premise at 1 Farrer Park Station Road #13-13 Connexion Singapore 217562 from FPH, which is 100% owned by Dr. Chia Kok Hoong (“CKH”), the Executive Director of the Company.
- ⁽³⁾ Rental of entire clinic premise at 182 Jalan Jurong Kechil #01-66 The Hillford Singapore 596152 from CHHI, which is 50% owned by HSM and 50% owned by CKH, the Executive Directors of the Company.

Material Contracts

Catalist Rule 1204{8}

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 FY2020 or if not then subsisting, entered into since the end of the previous financial year.

Dealing In Securities

Catalist Rule 1204{19}

The Company has adopted an internal code on dealings in securities. Directors, officers and employees are not allowed to deal in the Company’s securities during the period commencing one (1) month before announcement of the Group’s half yearly and the Group’s full year results and ending on the date of announcement of the relevant results, or when they are in possession of unpublished price-sensitive information of the Group. In addition, the officers of the Company are advised not to deal in the Company’s securities on short term considerations and are expected to observe the insider trading rules at all times even when dealing in the Company’s securities within the permitted trading periods.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

Use of Proceeds

The Company refers to the net cash proceeds amounting to S\$5 million received from the issuance of convertible bonds to Vanda 1 Investments Pte. Ltd. in August 2019. S\$2.8 million had been used in the acquisition of additional 19% equity interest in Julian Ong Endoscopy & Surgery Pte. Ltd. in September 2019. As at 31 May 2020, the convertible bonds have been fully redeemed.

Non-Sponsor Fees

In FY2020, the Company paid to its sponsor, Novus Corporate Finance Pte. Ltd., a non-sponsor fee of S\$15,000 (FY2019: Nil).

Sustainability Reporting

Catalist Rule 711A, 711B

The Sustainability Report will outline the Company's efforts, pursuits and initiatives towards achieving the Group's sustainability goals through operational and business practices. It covers the material Environment, Social and Governance factors relevant to the Group. Our framework of sustainability reporting is in line with the Catalist Rules and is guided by the Global Reporting Initiative (GRI) Standards Sustainability Reporting Guidelines – Core option and its reporting principles ("**GRI Standards**").

By applying the relevant GRI Standards, we identify and prioritise sustainability topics for reporting. The materiality assessment is conducted through a series of engagement sessions with internal stakeholders and studying existing feedback of external stakeholders. The material topics determined last year were deemed to be relevant and current by the Board and our corporate sustainability committee.

The Company is in the midst of finalising its Sustainability Report for FY2020. It will be made available to the shareholders on the SGXNet and the Company's website by 31 October 2020.

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 2020 and the statement of financial position of the Company as at 31 May 2020.

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 2020, 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.

DIRECTORS' STATEMENT

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 2019	Balance at 31 May 2020	Balance at 1 June 2019	Balance at 31 May 2020
The Company	Number of ordinary shares			
Mr. Chong Weng Hoe	167,600	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 2020 in the shares of the Company have not changed from those disclosed as at 31 May 2020.

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 assurance from the Chief Executive Officer and Chief Financial Officer on the financial records and financial statements;
- (v) 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);
- (vi) reviewing the adequacy, effectiveness, independence, scope and results of the external audit, and the Company's internal audit functions;
- (vii) 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;
- (viii) making recommendation to the Board of Directors on the proposals to shareholders on the appointment and removal of the external auditors, and the remuneration and terms of engagement of the external auditors;
- (ix) 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 announcements relating to the Group's financial performance before their submission to the Board of Directors;
- (x) reviewing and report to the Board of Directors at least annually the adequacy and effectiveness of the Group's material internal controls and risk management systems 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;
- (xi) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on, and ensuring that the Company publicly discloses, and clearly communicates to employees, the existence of a whistleblowing policy and procedures for raising such concerns;

DIRECTORS' STATEMENT

- (xii) reviewing and approve transactions falling within the scope of Chapter 9 and Chapter 10 of Catalist Rules (if any);
- (xiii) reviewing any potential conflicts of interest;
- (xiv) 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;
- (xv) 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
- (xvi) 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
28 August 2020

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 69 to 161, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 May 2020;
- 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 2020, 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.

INDEPENDENT AUDITORS' REPORT

To the Members of HC Surgical Specialists Limited

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 2020, the Group's goodwill amounted to approximately \$4,049,000.

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 \$722,000 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 in preparing the discounted cash flows taking into consideration the current economic and business environment which are affected by novel coronavirus ("COVID-19"), 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.

INDEPENDENT AUDITORS' REPORT

To the Members of HC Surgical Specialists Limited

KEY AUDIT MATTER

AUDIT RESPONSE

2 Impairment assessment of investments in subsidiaries

As at 31 May 2020, the carrying amount of the Company's investments in subsidiaries amounted to approximately \$5,261,000. 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 2020, 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 \$3,683,000 was recognised on the investment in a subsidiary during the financial year.

We focused on the impairment assessment of investments in 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 7 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 in preparing the discounted cash flows taking into consideration the current economic and business environment which are affected by COVID-19, 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.

INDEPENDENT AUDITORS' REPORT

To the Members of HC Surgical Specialists Limited

KEY AUDIT MATTER

AUDIT RESPONSE

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

As at 31 May 2020, the fair value of financial assets measured at FVTPL for the investments in quoted and unquoted equity securities amounted to approximately \$7,813,000.

Management has engaged independent valuers in deriving the fair value of the investments in two unquoted equity securities. Based on the independent valuations as at 31 May 2020, the fair value of these two investments in unquoted equity securities are approximately \$1,252,000 and \$547,000 respectively. The fair value of \$1,252,000 is determined using discounted cash flow method (the "income approach") whereas fair value of \$547,000 is determined using Enterprise Value/Earnings Before Interests, Taxes, Depreciation and Amortisation ("EV/EBITDA") multiple method (the "market 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 investments as at the financial year end, taking into account that the fair values are measured using significant unobservable inputs (Level 3).

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

We performed the following audit procedures, amongst others:

- Assessed the independence and competency of the independent valuers which included considering their experiences and qualification in performing valuations for the investments;
- Assessed the reasonableness of the key assumptions and estimates made by management in preparing the discounted cash flows taking into consideration the current economic and business environment which are affected by COVID-19, including comparing the revenue growth rates against historical performance and industry outlook, as appropriate;
- Engaged our internal valuation specialists to evaluate the valuation methodologies used and reasonableness of the key assumptions used and to benchmark the Enterprise Value/Sales and Price/Earnings 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 assets measured at FVTPL.

INDEPENDENT AUDITORS' REPORT

To the Members of HC Surgical Specialists Limited

KEY AUDIT MATTER

AUDIT RESPONSE

4 Fair value measurement of derivative financial instruments

As at 31 May 2020, the derivative financial instruments in relation to the put option, option to re-purchase and forward purchase contracts in connection with the Company's further acquisition of the remaining issued and fully paid-up share capital held by the vendors of certain subsidiaries and an associate as disclosed in Note 7 and Note 8 to the financial statements are stated at their fair values based on independent external valuations.

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 fair value of the derivative financial instruments as at the financial year end, taking into account that the fair values are measured using significant unobservable inputs (Level 3).

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 key assumptions and estimates used in deriving the equity value taking into consideration the current economic and business environment which are affected by COVID-19;
- 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 put option by the Company and the probability to exercise the option to re-purchase by the vendor; and
- Assessed the adequacy of the disclosure in the financial statements with respect to fair value measurement of derivative financial instruments.

Refer to Notes 3.2(iv) and 14 to the accompanying financial statements.

INDEPENDENT AUDITORS' REPORT

To the Members of HC Surgical Specialists Limited

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.

INDEPENDENT AUDITORS' REPORT

To the Members of HC Surgical Specialists Limited

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
28 August 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MAY 2020

	Note	Group		Company	
		2020	2019	2020	2019
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Non-current assets					
Plant and equipment	4	1,875	1,099	34	47
Intangible assets	5	4,062	5,863	8	-
Right-of-use assets	6	2,612	-	126	-
Investments in subsidiaries	7	-	-	5,261	6,218
Investments in associates	8	480	-	480	-
Investment in joint ventures	9	90	90	90	90
Debt instruments at amortised cost	10	2,000	2,000	2,000	2,000
Financial assets at fair value through profit or loss ("FVTPL")	11	7,813	9,211	7,813	9,211
Deferred tax assets	12	12	2	-	-
Advance payments	13	15	139	15	139
Derivative financial instruments	14	1,921	-	2,463	542
Other receivables	13	564	536	876	536
		21,444	18,940	19,166	18,783
Current assets					
Inventories	15	470	311	-	-
Trade and other receivables	13	1,381	2,148	2,665	2,309
Prepayments		321	186	114	68
Cash and bank balances	16	6,788	5,027	4,347	2,061
		8,960	7,672	7,126	4,438
Total assets		30,404	26,612	26,292	23,221
EQUITY AND LIABILITIES					
Equity					
Share capital	17	15,419	14,433	15,419	14,433
Treasury shares	18	(541)	(541)	(541)	(541)
Merger reserve	19	(815)	(815)	-	-
Capital reserve	20	(3,773)	(7)	(7)	(7)
Other reserve	21	(1,928)	(829)	-	-
Retained earnings	22	7,919	7,631	3,775	6,804
Equity attributable to owners of the parent		16,281	19,872	18,646	20,689
Non-controlling interests		264	410	-	-
Total equity		16,545	20,282	18,646	20,689

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MAY 2020

	Note	Group		Company	
		2020	2019	2020	2019
		\$'000	\$'000	\$'000	\$'000
Non-current liabilities					
Deferred tax liabilities	12	95	72	-	-
Derivative financial instruments	14	28	619	258	834
Other financial liabilities	23	2,417	829	-	-
Bank borrowings	24	5,000	-	5,000	-
Provisions	26	85	123	21	21
Lease liabilities	27	1,848	-	353	-
		9,473	1,643	5,632	855
Current liabilities					
Trade and other payables	28	2,610	3,160	1,573	1,080
Bank borrowings	24	-	500	-	500
Provisions	26	37	-	-	-
Lease liabilities	27	880	-	257	-
Current income tax payable		859	1,027	184	97
		4,386	4,687	2,014	1,677
Total liabilities		13,859	6,330	7,646	2,532
Total equity and liabilities		30,404	26,612	26,292	23,221

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

	Note	2020 \$'000	2019 \$'000
Revenue	29	16,723	18,318
Other items of income			
Other income	30	1,306	644
Gain arising from deemed disposal in associates		–	128
Fair value gain/(loss) on derivative financial instruments	14	1,921	(550)
Gain on disposal of investments in subsidiaries	7	196	–
Gain on disposal of investment in an associate		–	366
Gain on remeasurement of investment to fair value upon cessation of equity accounting		–	2,970
Items of expense			
Changes in inventories		159	116
Inventories, consumables and surgery expenses		(2,094)	(2,112)
Employee benefits expense	31	(5,965)	(6,475)
Fair value change on financial assets at FVTPL	11	(1,977)	(150)
Depreciation and amortisation expenses	32	(1,333)	(428)
Lease expenses/Operating lease expenses		(166)	(1,054)
Other expenses		(3,051)	(2,232)
Finance costs	33	(896)	(56)
Share of results of associates, net of tax		–	(41)
Profit before income tax	34	4,823	9,444
Income tax expense	35	(783)	(1,018)
Profit for the financial year, representing total comprehensive income for the financial year		4,040	8,426
Profit and total comprehensive income attributable to:			
Owners of the parent		3,498	7,206
Non-controlling interests		542	1,220
		4,040	8,426
Earnings per share (in cents)			
- Basic and diluted	36	2.33	4.83

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

Note	Share capital \$'000	Treasury shares \$'000	Merger reserve \$'000	Capital reserve \$'000	Other reserve \$'000	Equity component of convertible bond		Retained earnings \$'000	Equity attributable to owners of the parent \$'000	Non-controlling interests \$'000	Total equity \$'000
						\$'000	\$'000				
Balance at 1 June 2019	14,433	(541)	(815)	(7)	(829)	-	7,631	19,872	410	20,282	
Profit for the financial year	-	-	-	-	-	-	3,498	3,498	542	4,040	
Total comprehensive income for the financial year	-	-	-	-	-	-	3,498	3,498	542	4,040	
Distributions to owners											
Dividends	-	-	-	-	-	-	(3,743)	(3,743)	-	(3,743)	
Total transactions with owners	-	-	-	-	-	-	(3,743)	(3,743)	-	(3,743)	
Transactions with non-controlling interests											
Acquisition of non-controlling interests without a change in control	986	-	-	(3,766)	-	-	-	(2,780)	(99)	(2,879)	
Disposal of non-controlling interests in a subsidiary	-	-	-	-	-	-	-	-	(73)	(73)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(516)	(516)	
Total transactions with non-controlling interests	986	-	-	(3,766)	-	-	-	(2,780)	(688)	(3,468)	
Others											
Present value of forward purchase contract	-	-	-	-	(1,099)	-	-	(1,099)	-	(1,099)	
Initial recognition of equity component of convertible bond	-	-	-	-	-	533	-	533	-	533	
Derecognition of convertible bond	-	-	-	-	-	(533)	533	-	-	-	
Total others	-	-	-	-	(1,099)	-	533	(566)	-	(566)	
Balance at 31 May 2020	15,419	(541)	(815)	(3,773)	(1,928)	-	7,919	16,281	264	16,545	

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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		Non-controlling interests \$'000	Total equity \$'000
							the parent \$'000	controlling interests \$'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										
18 Acquisition of a subsidiary	-	206	-	(7)	-	-	199	-	199	
18 Purchase of treasury shares	-	(426)	-	-	-	-	(426)	-	(426)	
37 Dividends	-	-	-	-	-	(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										
21 Present value of forward purchase contract	-	-	-	-	(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 CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

	2020 \$'000	2019 \$'000
Operating activities		
Profit before income tax	4,823	9,444
Adjustments for:		
Allowance for impairment loss on goodwill	722	415
Allowance for impairment loss on plant and equipment	41	-
Allowance for impairment loss on right-of-use assets	95	-
Amortisation of intangible assets	10	13
Bad third parties trade receivables written off	3	2
Depreciation of plant and equipment	426	415
Depreciation of right-of-use assets	897	-
Dividend income from a joint venture	(16)	-
Dividend income from financial assets at FVTPL	(505)	(253)
Fair value change on financial assets at FVTPL	1,977	150
Fair value (gain)/loss on derivative financial instruments	(1,921)	550
Gain arising from deemed disposal in associates	-	(128)
Gain on disposal of investment in an associate	-	(366)
Gain on disposal of investments in subsidiaries	(196)	-
Gain on disposal of plant and equipment	(5)	(26)
Gain on lease modification	(5)	-
Gain on remeasurement of investment to fair value upon cessation of equity accounting	-	(2,970)
Interest expense	896	56
Interest income	(166)	(131)
Inventories written off	11	4
Loss allowance on third parties trade receivables	17	-
Loss on derecognition of convertible bond	417	-
Plant and equipment written off	7	80
Reversal of provision not utilised	(15)	-
Share of results of an associate, net of tax	-	41
Operating cash flows before working capital changes	7,513	7,296
Working capital changes:		
Inventories	(242)	(91)
Trade and other receivables	506	(397)
Prepayments	(157)	37
Trade and other payables	(318)	467
Cash generated from operations	7,302	7,312
Income tax paid	(828)	(544)
Net cash from operating activities	6,474	6,768

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

	2020 \$'000	2019 \$'000
Investing activities		
Acquisition of subsidiaries, net of cash acquired	–	(591)
Acquisition of additional equity interests in subsidiaries	(2,877)	–
Advance payments for acquisition of investments	(15)	(139)
Dividend income from a joint venture	16	–
Dividend received from financial assets at FVTPL	505	253
Interest received	138	131
Investment in an associate	(341)	(56)
Investment in financial assets at FVTPL	–	(64)
Investment in a joint venture	–	(1)
Loans to a joint venture	–	(625)
Proceeds from disposal of plant and equipment	19	124
Proceeds from disposal of investment in an associate	–	1,000
Purchase of intangible assets	(8)	(4)
Purchase of plant and equipment	(1,268)	(295)
Net cash used in investing activities	(3,831)	(267)
Financing activities		
Dividends paid to owners of the parent	(3,743)	(2,982)
Dividends paid to non-controlling interests	(516)	(1,248)
Interest paid	(8)	(56)
Purchase of treasury shares	–	(426)
Proceeds from bank borrowings (Note A)	5,000	–
Repayment of bank borrowings (Note A)	(500)	(1,750)
Proceeds from issuance of convertible bond	5,000	–
Redemption of convertible bond	(5,196)	–
Repayment of principal portion of lease liabilities (Note A)	(836)	–
Repayment of interest portion of lease liabilities (Note A)	(83)	–
Net cash used in financing activities	(882)	(6,462)
Net change in cash and cash equivalents	1,761	39
Cash and cash equivalents at beginning of financial year	5,027	4,988
Cash and cash equivalents at end of financial year	6,788	5,027

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

NOTE A: RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES:

	1 June 2019		Adoption of SFRS(I) 16		Cash flows		Additions		Lease modification		Arising from disposal of subsidiaries		Accretion of interest		31 May 2020	
	\$'000		\$'000		\$'000		\$'000		\$'000		\$'000		\$'000		\$'000	
Bank borrowings	500		-		4,500		-		-		-		-		5,000	
Lease liabilities	-		1,970		(919)		1,802		70		(278)		83		2,728	
	1 June 2018		Cash flows		31 May 2019											
	\$'000		\$'000		\$'000		\$'000		\$'000		\$'000		\$'000		\$'000	
Bank borrowings	2,250		(1,750)		500											

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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 7 to the financial statements.

The statement of financial position of the Company as at 31 May 2020 and the consolidated financial statements of the Company and its subsidiaries (“the Group”) for the financial year ended 31 May 2020 were authorised for issue in accordance with a Directors’ resolution dated 28 August 2020.

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

During the current financial year, the Group and the Company have adopted all the new and revised SFRS(I) and SFRS(I) Interpretations ("SFRS(I) INT") that are relevant to their operations and effective for the current financial year. The adoption of these new or revised SFRS(I) and SFRS(I) INT did not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 *Leases* as disclosed below.

Changes in accounting policies

New standards, amendments and interpretations effective from 1 June 2019

SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement Contains a Lease*, SFRS(I) INT 1-15 *Operating leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. SFRS(I) 16 provides a single lessee accounting model which eliminates the distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessee to capitalise all leases on the consolidated 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 right-of-use 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.

The Group applied SFRS(I) 16 retrospectively with the cumulative effect of initially applying this standard as an adjustment to the opening retained earnings as at 1 June 2019 (the "date of initial application"). The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under SFRS(I) 1-17, SFRS(I) INT 4, SFRS(I) INT 1-15 and SFRS(I) INT 1-27 were not reassessed. The definition of lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 June 2019.

In applying the modified retrospective approach, the Group has taken advantage of the following practical expedients:

- A single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
- Leases with a remaining term of twelve months from the date of initial application have been accounted for as short-term leases (i.e. not recognised on statements of financial position) even though the initial term of the leases from lease commencement date may have been more than twelve months; and
- For the purpose of measuring the right-of-use asset, hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as lease terms) based on circumstances on or after the lease commencement date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations effective from 1 June 2019 (Continued)

SFRS(I) 16 Leases (Continued)

As a lessee, the Group previously classified leases as operating lease based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under SFRS(I) 16, the Group has elected not to recognise right-of-use assets and lease liabilities for those low-value assets based on the value of the underlying asset for leases with a lease term of 12 months or less.

On adoption of SFRS(I) 16, the Group recognised right-of-use assets and lease liabilities in relation to office and clinic premises, which had previously been classified as operating leases.

Lease liabilities from operating leases under the principles of SFRS(I) 1-17 were measured at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate as at 1 June 2019. The incremental borrowing rate applied to lease liabilities on 1 June 2019 was 3.67%.

The right-of-use assets were measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payment.

The effect of adopting SFRS(I) 16 as at 1 June 2019 was increasing the line items of the consolidated statement of financial position as follows:

	Group	Company
	\$'000	\$'000
Assets		
Non-current assets		
Right-of-use assets	1,970	294
Current assets		
Lease receivables	-	276
Liabilities		
Non-current liabilities		
Lease liabilities	1,187	350
Current liabilities		
Lease liabilities	783	220

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations effective from 1 June 2019 (Continued)

SFRS(I) 16 Leases (Continued)

The aggregate lease liabilities recognised in the consolidated statement of financial position as at 1 June 2019 and the Group's operating lease commitments as at 31 May 2019 can be reconciled as follows:

	Group \$'000	Company \$'000
Operating lease commitments as at 31 May 2019 (Note 39)	1,576	336
Less: Effect of application of short-term leases	(166)	–
Add: Effect of extension options reasonably certain to be exercised	682	270
	2,092	606
Effect of discounting using the incremental borrowing rate as at date of initial application	(122)	(36)
Lease liabilities as at 1 June 2019 (Note 27)	1,970	570
		Company \$'000
Operating lease commitments as at 31 May 2019 (Note 39)		30
Add: Effect of extension options reasonably certain to be exercised		270
		300
Effect of discounting using the incremental borrowing rate as at date of initial application		(24)
Lease receivables as at 1 June 2019		276

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

New standards, amendments and interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following standards were issued but not yet effective, and have not been adopted early in these financial statements:

		Effective date (annual periods beginning on or after)
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) 3 (Amendments)	: Reference to the Conceptual Framework	1 January 2022
SFRS(I) 9, SFRS(I) 1-39, and SFRS(I) 7 (Amendments)	: Interest Rate Benchmark Reform	1 January 2020
SFRS(I) 16 (Amendment)	: COVID-19-Related Rent Concessions	1 June 2020
SFRS(I) 17	: Insurance Contracts	1 January 2021
SFRS(I) 1-16 (Amendments)	: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
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
SFRS(I) 1-37 (Amendments)	: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
SFRS(I) 1-1 (Amendments)	: Classification of Liabilities as Current or Non-current	1 January 2023
Various amendments	: References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Various amendments	: Annual improvements to SFRS(I)s 2018-2020	1 January 2022

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

Management anticipates that the adoption of the above standards, if applicable in future periods, will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

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.

2.4 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Plant and equipment (Continued)

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.

2.5 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets (Continued)

Goodwill (Continued)

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.

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 2 to 3 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Associates (Continued)

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 investments in associates.

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.

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 in 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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Joint venture (Continued)

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.

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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets excluding goodwill (Continued)

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.

2.10 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 reclass their affected financial assets when and only when the Group and the Company change 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.

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 bank balances in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

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.

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.

2.14 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 put options, 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 remeasured 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.

Provision of medical services

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.

Consultancy fee income

Consultancy fee income is recognised based on the provision of services in accordance with terms as stated in the consultancy agreement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Grants

Grants are recognised at their 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. Grants related to an asset may be presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset.

Grants which are receivable in relation to expenses to be incurred in the subsequent financial period, are included as government grant receivables and deferred government grant income, classified as current assets and current liabilities respectively.

2.19 Leases

Group as lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of twelve months or less.

The payments for leases of low value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.

Initial measurement

Leases are recognised as right-of-use assets and corresponding lease liabilities at the date of which the leased assets are available for use by the Group. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on their remaining balance of the liability for each period.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if it is depending on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Leases (Continued)

Group as lessee (Continued)

Initial measurement (Continued)

On initial recognition, the carrying amount of lease liabilities also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

The Group presents the right-of-use assets and lease liabilities separately from other assets and other liabilities in the consolidated statement of financial position.

Subsequent measurement

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are depreciated on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise the purchase option, the right-of-use assets are depreciated over the useful life of the underlying asset. Right-of-use assets are depreciated to profit or loss using the straight line method over the remaining lease term of office and clinic premises, ranging from 1 to 7 years.

The carrying amount of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the right-of-use assets may be impaired. The accounting policy on impairment is as described in Note 2.9 to the financial statements.

Subsequent to initial measurement, lease liabilities are adjusted to reflect interest charged at a constant periodic rate over the remaining lease liabilities, lease payment made and if applicable, account for any remeasurement due to reassessment or lease modifications.

After the commencement date, interest on the lease liabilities are recognised in profit or loss, unless the costs are eligible for capitalisation in accordance with other applicable standards.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Leases (Continued)

Group as lessee (Continued)

Subsequent measurement (Continued)

When the Group revises its estimate of any lease term (i.e. probability of extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term. The carrying amount of lease liabilities is similarly revised when the variable element of the future lease payment dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of lease liabilities, the remaining amount of the remeasurement is recognised directly in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use being adjusted by the same amount.
- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the negotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For lease contracts that convey a right to use an identified asset and require services to be provided by the lessor, the Group has elected to account for the entire contract as a lease. The Group does not allocate any amount of contractual payments to, and account separately for, any services provided by the lessor as part of the contract.

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Leases (Continued)

Accounting policy prior to 1 June 2019

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 entitlements

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.

2.21 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 associate, 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.

2.23 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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. ("Investment I") 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 these entities. As a result, this investment is classified as financial asset measured at fair value through profit or loss instead of investment in associate.

During the financial year, the Group and the Company have disposed its entire 51% equity interest in HMC Medical Pte. Ltd. ("HMC") with a total sales consideration of 482 ordinary shares in Singapore Paincare Holdings Pte. Ltd. ("Investment II") with fair value of \$655,000 as referred to in Note 7 to the financial statements. The Group and the Company hold a 4.82% equity interest in Singapore Paincare Holdings Pte. Ltd. and this investment is classified as financial asset measured at fair value through profit or loss as at 31 May 2020.

Fair value of Investment I is determined based on discounted cash flow method and Investment II is determined based on EV/EBITDA multiple method. 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 assets significantly.

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 and associate

The Company follows the guidance of SFRS(I) 1-36 *Impairment of Assets*, in determining whether investments in subsidiaries and associate 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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 and associate (Continued)

Investments in subsidiaries and associate 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 and associate as at 31 May 2020 were \$5,261,000 (2019: \$6,218,000) and \$480,000 (2019: \$Nil) respectively and an allowance for impairment loss on investments in subsidiaries of approximately \$3,683,000 (2019: \$458,000) was recognised during the financial year ended 31 May 2020 as disclosed in Note 7 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 the consolidated statement of comprehensive income. The carrying amount of the Group's goodwill as at 31 May 2020 was \$4,049,000 (2019: \$5,848,000) and an allowance for impairment loss of \$722,000 (2019: \$415,000) 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. A loss allowance amounted to \$17,000 (2019: \$Nil) was recognised as at 31 May 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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

3.2 Key sources of estimation uncertainty (Continued)

- (iii) Loss allowance for trade and other receivables (Continued)

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 \$200,000 (2019: \$21,000) was recognised during the financial year ended 31 May 2020. The amounts due from subsidiaries and joint venture are disclosed in Note 13 to the financial statements.

- (iv) Fair value measurement of derivative financial instruments

The derivative financial instruments arise from the granting of options to re-purchase, put option and forward purchase contracts for the acquired subsidiaries as disclosed in Note 7 to the financial statements, and are measured at fair value as at the end of the reporting period.

Put option

As at the end of the reporting period, the fair value of derivative financial instrument has been determined by management, assisted by its external valuer, and is considered as level 3 recurring fair value measurements. The significant judgement and assumptions to the valuation include expected volatility rate and risk-free 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 instrument of the Group and the Company relating to the put option as at 31 May 2020 were \$549,000 (2019: \$Nil).

If the probability that the option is exercised is higher or lower by 5% from management's estimates, the Group's profit would have been higher or lower by \$549,000 respectively.

Option to re-purchase

As at the end of the reporting period, the fair value of derivative financial instrument has been determined by management, assisted by its external valuer, and is considered as level 3 recurring fair value measurements. The significant judgement and assumptions to the valuations include expected volatility rate and risk-free 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 option to re-purchase as at 31 May 2020 were \$28,000 (2019: \$619,000).

If the probability that the option is exercised is higher or lower by 5% from management's estimates, the Group's profit would have been lower or higher by \$28,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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 (Continued)

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 estimated profit after tax for future years and risk-free rate. The carrying value of the derivative financial instrument of the Group relating to the forward purchase contract asset as at 31 May 2020 was \$1,372,000. The carrying values of the derivative financial instruments of the Company relating to the forward purchase contracts assets and liabilities as at 31 May 2020 were \$1,914,000 and \$230,000 (2019: \$542,000 and \$215,000) respectively.

- (v) Impairment of plant and equipment and right-of-use assets

Plant and equipment and right-of-use assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flow (its cash generating unit or "CGU"). The recoverable amount of plant and equipment and right-of-use assets are determined based on value-in-use, by discounting the expected future cash flows for each CGU.

The recoverable amount is sensitive to discount rates used for the discounted cash flow model as well as the revenue growth rates used. The management carried out an impairment review of plant and equipment and right-of-use assets and the impairment loss on plant and equipment and right-of-use assets charged to statement of comprehensive income for the financial year ended 31 May 2020 amounted to \$41,000 and \$95,000 (2019: \$Nil and \$Nil) respectively. The carrying amount of the Group's and the Company's plant and equipment were \$1,875,000 (2019: \$1,099,000) and \$34,000 (2019: \$47,000) respectively and right-of-use assets as at 31 May 2020 were \$2,612,000 (2019: \$Nil) and \$126,000 (2019: \$Nil) respectively.

- (vi) Accounting for leases

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term. The Group has determined the discount rate by reference to the respective lessee's incremental borrowing rate when the rate inherent in the lease is not readily determinable. The Group obtains the relevant market interest rate after considering the applicable geographical location where the lessee operates as well as the term of the lease. Management considers its own credit spread information from its recent borrowings, industry data available as well as any security available in order to adjust the market interest rate obtained from similar economic environment, term and value of the lease.

The incremental borrowing rate applied to lease liabilities as at 31 May 2020 was 3.67%. The carrying amount of lease liabilities of the Group and the Company as at 31 May 2020 were \$2,728,000 and \$610,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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 2019	136	158	1,046	1,015	2,355
Additions	29	19	815	405	1,268
Written off	(6)	–	(9)	(15)	(30)
Disposal	–	–	(70)	–	(70)
Arising from disposal of subsidiaries	(4)	(1)	(2)	–	(7)
Balance at 31 May 2020	155	176	1,780	1,405	3,516
Accumulated depreciation and impairment					
Balance at 1 June 2019	96	90	563	507	1,256
Depreciation for the financial year	31	30	147	218	426
Written off	(6)	–	(5)	(12)	(23)
Disposal	–	–	(56)	–	(56)
Arising from disposal of subsidiaries	(1)	(1)	(1)	–	(3)
Impairment loss for the financial year	–	18	–	23	41
Balance at 31 May 2020	120	137	648	736	1,641
Net carrying amount					
Balance at 31 May 2020	35	39	1,132	669	1,875
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

4. PLANT AND EQUIPMENT (CONTINUED)

	Computer \$'000	Furniture, fittings and office equipment \$'000	Renovation \$'000	Total \$'000
Company				
Cost				
Balance at 1 June 2019	27	19	43	89
Additions	3	-	-	3
Balance at 31 May 2020	30	19	43	92
Accumulated depreciation				
Balance at 1 June 2019	22	10	10	42
Depreciation for the financial year	4	4	8	16
Balance at 31 May 2020	26	14	18	58
Net carrying amount				
Balance at 31 May 2020	4	5	25	34
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

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:

	2020 \$'000	2019 \$'000
Additions of plant and equipment	1,268	303
Less: Provision for reinstatement cost	-	(8)
Cash payments to acquire plant and equipment	1,268	295

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

4. PLANT AND EQUIPMENT (CONTINUED)

During the financial year ended 31 May 2020, the Group carried out a review of the recoverable amount of its plant and equipment for clinic premises (CGUs) with indications of impairment. The recoverable amount of the plant and equipment for CGUs with indications of impairment has been determined based on its value-in-use calculations using the following key assumptions:

	Group 2020 %
Revenue growth rate	8.0
Discount rate	9.3

Following the review, there was a clinic premise having plant and equipment that are not expected to generate sufficient cash flows in comparison to their carrying amounts. An impairment loss on plant and equipment of \$41,000 (2019: \$Nil), representing the full write-down of the remaining carrying amount of the relevant plant and equipment was recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

5. INTANGIBLE ASSETS

	Goodwill \$'000	Computer software \$'000	Total \$'000
Group			
Cost			
Balance at 1 June 2019	6,263	91	6,354
Additions	–	8	8
Arising from disposal of subsidiaries	(1,077)	–	(1,077)
Balance at 31 May 2020	5,186	99	5,285
Accumulated amortisation and impairment			
Balance at 1 June 2019	415	76	491
Amortisation for the financial year	–	10	10
Impairment loss for the financial year	722	–	722
Balance at 31 May 2020	1,137	86	1,223
Net carrying amount			
Balance at 31 May 2020	4,049	13	4,062
Remaining useful life at end of financial year	Indefinite	1 to 3 years	
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	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

5. INTANGIBLE ASSETS (CONTINUED)

	Computer software	
	2020	2019
	\$'000	\$'000
Company		
Cost		
Balance at beginning of financial year	4	4
Additions	9	–
Balance at end of financial year	13	4
Accumulated amortisation		
Balance at beginning of financial year	4	3
Amortisation for the financial year	1	1
Balance at end of financial year	5	4
Net carrying amount		
Balance at end of financial year	8	–
Remaining useful life at end of financial year	2 to 3 years	–

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

Goodwill arising from the business combinations was related to acquisition of subsidiaries, of which, each subsidiary is an individual cash-generating unit (“CGU”) that are expected to benefit from the business combinations. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	Group	
	2020	2019
	\$'000	\$'000
Name of subsidiaries		
CTK Tan Surgery Pte. Ltd. (“CTK”)	–	429
LAI BEC Pte. Ltd. (“LBPL”)	815	815
Julian Ong Endoscopy & Surgery Pte. Ltd. (“JOES”)	2,144	2,144
Medical L & C Services Pte. Ltd. (“MLCS”)	1,055	1,055
HMC Medical Pte. Ltd. (“HMC”)	–	648
Medical Services @ Tampines Pte. Ltd. (“MST”)	344	344
Jason Lim Endoscopy and Surgery Pte. Ltd. (“JLES”)	828	828
	5,186	6,263

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

5. INTANGIBLE ASSETS (CONTINUED)

Impairment test for goodwill

As at 31 May 2020, 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 (2019: 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	
	2020	2019	2020	2019
CTK	–	5% to 10%	–	9.2%
LBPL	2%	2%	9.3%	9.2%
JOES	-45% to 15%	5%	9.3%	9.2%
MLCS	5%	-7% to 7%	9.3%	9.2%
HMC	–	2%	–	9.2%
MST	8% to 15%	8% to 10%	9.3%	9.2%
JLES	8% to 10%	8% to 16%	9.3%	9.2%

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 \$722,000 (2019: \$415,000) to one of 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 \$1,672,000 based on its current financial performance. The impairment loss was fully allocated to goodwill and included in "other expenses" line item of the consolidated statement of comprehensive income.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

6. RIGHT-OF-USE ASSETS

	Office and clinic premises \$'000
Group	
Balance at 1 June 2019	
- Adoption of SFRS(I) 16	1,970
Additions	1,820
Lease modification	91
Depreciation for the financial year	(897)
Impairment loss for the financial year	(95)
Arising from disposal of subsidiaries	(277)
Balance at 31 May 2020	2,612
Company	
Balance at 1 June 2019	
- Adoption of SFRS(I) 16	294
Depreciation for the financial year	(168)
Balance at 31 May 2020	126

During the financial year ended 31 May 2020, the Group carried out a review of the recoverable amount of its right-of-use assets for office and clinic premises (CGUs) with indications of impairment. The recoverable amount of the right-of-use for CGUs with indications of impairment has been determined based on its value-in-use calculations.

Following the review, the clinic premise as referred to in Note 4 have right-of-use assets that are not expected to generate sufficient cash flows in comparison to their carrying amount. An impairment loss on right-of-use assets of approximately \$95,000, representing the full write-down of the remaining carrying amount of the relevant right-of-use assets was recognised in the statement of comprehensive income. The key assumptions for this value-in-use calculations are disclosed in Note 4 to the financial statements.

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020 \$'000	2019 \$'000
Unquoted equity shares, at cost	9,344	6,956
Allowance for impairment loss	(4,083)	(738)
	5,261	6,218

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Movements in allowance for impairment loss were as follows:

	Company	
	2020	2019
	\$'000	\$'000
Balance at beginning of financial year	738	280
Impairment loss for the financial year	3,683	458
Impairment loss written off upon strike off of a subsidiary	(338)	-
Balance at end of financial year	4,083	738

Impairment on investments in subsidiaries

As at the end of the reporting period, the Company carried out a review of the investments in subsidiaries, having regard for indicators of impairment on investments in subsidiaries based on the existing performance of subsidiaries. Following the review, an impairment loss of approximately \$3,683,000 (2019: \$458,000) was recognised in respect of a subsidiary (2019: two subsidiaries) for the financial year ended 31 May 2020.

The recoverable amount of the impaired subsidiary which is approximately \$2,294,000 (2019: \$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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

7. 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	
			2020	2019	2020	2019
			%	%	%	%
Heah Sieu Min (Mt E) Pte. Ltd. ⁽¹⁾	Singapore	Colorectal endoscopy and piles centre	100	100	–	–
Heah Sieu Min (Bukit Batok) Pte. Ltd. ⁽¹⁾	Singapore	Provide outpatient consultation services and procedures in the field of Colorectal Endoscopy practices	100	100	–	–
CKH (Farrer Park) Pte. Ltd. ⁽¹⁾	Singapore	General, vein laser vascular and laparoscopy surgery and other health services	100	100	–	–
CKH (Mt A) Pte. Ltd. ⁽¹⁾	Singapore	Vein and vascular surgery practices/general surgery	100	100	–	–
Hougang Clinic Pte. Ltd. ⁽¹⁾	Singapore	Specialised medical services (including day surgical centres)/other health services	100	100	–	–
Malcolm Lim Pte. Ltd. ⁽¹⁾	Singapore	Clinics and other general medical services	51	51	49	49
LAI BEC Pte. Ltd. ⁽¹⁾	Singapore	Clinics and other general medical services	51	51	49	49
CTK Tan Surgery Pte. Ltd. ⁽²⁾	Singapore	Specialised medical services (including day surgical centres)/clinics and other general medical services	–	100	–	–
Heah Sieu Min (DLeedon) Pte. Ltd. ⁽¹⁾	Singapore	Specialised medical services (including day surgical centres)/clinics and other general medical services	100	100	–	–
HC (Hillford) Pte. Ltd. ⁽¹⁾	Singapore	Specialised medical services (including day surgical centres)/ clinics and other general medical services	100	100	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

7. 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	
			2020	2019	2020	2019
			%	%	%	%
HC (GM) Pte. Ltd. ⁽¹⁾	Singapore	Specialised medical services (including day surgical centres)/clinics and other general medical services	100	100	–	–
Julian Ong Endoscopy & Surgery Pte. Ltd. ⁽¹⁾	Singapore	Clinics and other general medical services	70	51	30	49
Medical L & C Services Pte. Ltd. ⁽¹⁾	Singapore	Clinics and other general medical services	51	51	49	49
HMC Medical Pte. Ltd. ⁽²⁾	Singapore	Clinics and other general medical services	–	51	–	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	100	83.33	–	16.67
Jason Lim Endoscopy and Surgery Pte. Ltd. ⁽¹⁾	Singapore	Specialised medical services/ clinics and other general medical services	51	51	49	49
HC (Ming) Pte. Ltd. ⁽¹⁾⁽³⁾	Singapore	Clinics and other general medical services	80	–	20	–
HC (AMK) Pte. Ltd. ⁽¹⁾⁽³⁾	Singapore	Clinics and other general medical services	100	–	–	–

(1) Audited by BDO LLP, Singapore

(2) Disposed during the financial year

(3) Incorporated during the financial year

Incorporation of subsidiaries

On 6 June 2019, the Company incorporated a subsidiary, HC (Ming) Pte. Ltd. (“HCMC”), a company incorporated in Singapore and the Company subscribed for 80 shares at \$1 each, which represented an equity interest of 80%.

On 19 July 2019, the Company incorporated a wholly-owned subsidiary, HC (AMK) Pte. Ltd. (“HCAMK”), a company incorporated in Singapore with a cash consideration of \$2.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiaries

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 based on actual share price of the Company on issuance date 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 the 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.

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.

	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 ended 31 May 2019 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiaries (Continued)

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 was included in “gain arising from deemed disposal in associates” line item in the consolidated statement of comprehensive income for the financial year ended 31 May 2019.

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

	2019 \$'000
Total purchase consideration	963
Less: Non-cash consideration	(199)
Less: Cash and cash equivalents of subsidiaries acquired	(23)
Less: Advance payments paid in previous financial year	(150)
Net cash outflow on acquisition	<u>591</u>

The trade and other receivables acquired in prior financial year comprise of gross trade and other receivables amounting to \$45,000 which approximates fair value. It is expected that full contractual amount of receivables can be collected. The goodwill of \$1,172,000 arising from prior year’s acquisitions is attributable to 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. 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 aforesaid acquisition of subsidiaries, amounted to \$10,000, have been recognised in the “other expenses” line item in the consolidated statement of comprehensive income for the financial year ended 31 May 2019.

Acquisition of non-controlling interests

On 3 September 2019, the Company entered into a sale and purchase agreement to acquire an additional 19% of the issued and fully paid-up capital in JOES. The consideration for the additional acquisition amounted to \$3,833,000, of which an amount of approximately \$986,000 was paid by way of issuance of the Company’s shares with fair value of \$0.560 each based on actual share price of the Company on issuance date and the remaining \$2,847,000 settled in cash. The vendors further agreed to sell to the Company the remaining 30% of the issued and fully paid-up share capital of JOES by 31 October 2021 for the consideration of 30% of ten times the audited profit after tax for the financial year ending 31 May 2021.

On 10 September 2019, the Company entered into a sale and purchase agreement to acquire an additional 16.67% equity interest in MST, with an aggregate cash consideration of \$30,000. Upon the acquisition, MST became a wholly-owned subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Acquisition of non-controlling interests (Continued)

	Acquisition on		Total
	3 September	10 September	
	2019	2019	
	\$'000	\$'000	\$'000
Carrying amount of non-controlling interests acquired	*	97	
Consideration for the acquisition of non-controlling interests	(3,833)	(30)	
Premium on acquisition of non-controlling interests recognised in equity	(3,833)	67	(3,766)

* Amount less than \$1,000

The difference of approximately \$3,766,000 between the consideration and the carrying amount of non-controlling interests acquired has been recognised as "Acquisition of non-controlling interests without a change in control" within the consolidated statement of changes in equity.

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

	2020
	\$'000
Total purchase consideration	3,863
Less: Share consideration	(986)
Net cash outflow on acquisition	2,877

Strike off of wholly-owned subsidiary

On 8 July 2019, the Company's wholly-owned subsidiary, CKH (Mt. E) Pte. Ltd., was struck off. The Company has written off the cost of investment and allowance of impairment loss of approximately \$338,000.

Disposal of subsidiaries

On 5 July 2019, as part of a restructuring exercise, the Company has disposed its entire 51% equity interest in HMC to Singapore Paincare Holdings Pte. Ltd. ("SPH") with total sales consideration of 482 ordinary shares, representing 4.82% equity interest in SPH. The fair value of sales consideration amounted to approximately \$655,000, was determined based on professional valuation carried out by independent valuation specialists using EV/EBITDA multiple approach. The gain on disposal of approximately \$148,000 was included in "gain on disposal of investments in subsidiaries" line item in the consolidated statement of comprehensive income for the financial year ended 31 May 2020.

On 6 September 2019, the Company has disposed its entire 100% equity interest in CTK for a nominal value of \$1 in connection with the exercise of the option to re-purchase by the vendor, which was granted in the sale and purchase agreement entered on 4 August 2016. The gain on disposal of approximately \$48,000 was included in "gain on disposal of investments in subsidiaries" line item in the consolidated statement of comprehensive income for the financial year ended 31 May 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Disposal of subsidiaries (Continued)

The effects of the disposal as at the date of disposal were as follows:

	CTK	HMC	Total
	2020	2020	2020
	\$'000	\$'000	\$'000
Plant and equipment	4	*	4
Goodwill	429	648	1,077
Right-of-use assets	109	168	277
Deferred tax assets	2	-	2
Inventories	39	56	95
Trade and other receivables	190	87	277
Prepayments	25	4	29
Cash and bank balances	340	273	613
Trade and other payables	(531)	(291)	(822)
Options to re-purchase	(478)	(113)	(591)
Provisions	-	(20)	(20)
Lease liabilities	(109)	(169)	(278)
Income tax payables	(68)	(63)	(131)
Non-controlling interests	-	(73)	(73)
Net identifiable (liabilities)/assets derecognised	(48)	507	459
Consideration received:			
- Cash consideration	*	-	-
- Shares consideration	-	(655)	(655)
Gain on disposal of investments in subsidiaries	(48)	(148)	(196)

* Amount less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Non-controlling interests

The non-controlling interests of MLPL, MLCS, HCIF, JLES and HCMC (2019: MLPL, MLCS, HCIF, JLES and MST) 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	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets and liabilities						
Current assets	435	386	911	664	1,346	1,050
Non-current assets	9	13	33	60	42	73
Current liabilities	(171)	(145)	(358)	(448)	(529)	(593)
Non-current liabilities	–	–	(14)	(14)	(14)	(14)
Net assets	273	254	572	262	845	516
Accumulated NCI	134	124	172	128	306	252
Revenue	1,198	1,205	2,761	2,760	3,959	3,965
Profit for the financial year, representing total comprehensive income for the financial year	380	387	1,005	1,580	1,385	1,967
Profit allocated to NCI	186	189	384	774	570	963
Dividends paid to NCI	176	152	340	862	516	1,014
Cash flows from operating activities	443	391	1,473	1,730	1,916	2,121
Cash flows used in investing activities	(2)	(3)	(294)	(1)	(296)	(4)
Cash flows used in financing activities	(360)	(310)	(798)	(1,760)	(1,158)	(2,070)
Net cash inflows/(outflows)	81	78	381	(31)	462	47

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

8. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Unquoted equity investments, at cost	480	4,959	480	4,959
Deemed disposal in associates due to dilution	-	(87)	-	-
Share of post-acquisition results of associates, net of dividends	-	274	-	-
Allowance for impairment loss	-	-	-	(91)
Deemed disposal of associates	-	(5,146)	-	(4,868)
	480	-	480	-

Movement in allowance for impairment loss was as follows:

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

In the prior financial year, a reversal of an allowance for impairment loss of \$68,000 was recognised relating to the investment in MST which became a subsidiary, the details of which are disclosed in Note 7 to the financial statements. The recoverable amount of the investment amounted to approximately \$68,000 has been determined on the basis of its fair value as referred to in Note 7 to the financial statements.

As at 31 May 2020, the Company carried out a review of the investment in an associate based on the existing performance of associate. Following the review, there was no impairment loss in the current financial year. The recoverable amount of the investment in an associate is determined based on its value-in-use calculations covering a period of 5 years and projection to terminal year using the following key assumptions:

	Group and Company
	2020
	%
Revenue growth rate	-5 to 2
Discount rate	9.3

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

The details of associate are as follows:

Name of company	Principal place of business	Principal activities	Effective equity interest	
			2020 %	2019 %
Held by the Company				
Medistar Services Pte. Ltd. ⁽¹⁾	Singapore	Clinics and other general medical services	25	-

(1) Audited by BDO LLP, Singapore

Medistar Services Pte. Ltd.'s ("MDS") primary business is in alignment with the Group, providing outpatients consultation services, medical and related services.

Acquisition of equity interest in an associate

On 31 May 2019, the Company entered into a sale and purchase agreement, pursuant to which the Company acquired 25% of the issued and fully paid-up share capital in MDS with cash consideration of \$480,000 on 8 July 2019. The vendors further agree to sell to the Company and the Company agree to acquire the remaining issued and fully paid-up share capital of MDS as follows:

- (i) 45% equity interest over two tranches by 1 Sept 2022 and 1 Sept 2024 for the consideration of one time the audited profit after tax for the financial year ending 31 May 2022 and average of audited profit after tax for the first five years from 1 June 2019 to 31 May 2024, subject to a minimum of S\$160,000 multiplied by the vendors' respective shareholding percentage held in MDS; and
- (ii) 15% equity interest for a consideration of \$4,000 for every 1% shareholding held by the vendors upon termination of employment due to illness, incapacitation or death after the employment period of three or five years.

The fair values of the identifiable assets and liabilities of MDS as at the date of acquisition was:-

	2020 \$'000
Non-current assets	1,231
Current assets	544
Non-current liabilities	(1,019)
Current liabilities	(485)
Net assets of the associate	271
Proportion of equity interest in the associate	25%
Proportion of share of net assets	68
Fair value of sign-on bonus	(2)
Cash consideration	(480)
Implied goodwill arising from acquisition	(414)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

The summarised financial information below reflects the amounts presented in the financial statements of associate, not adjusted for the proportion of ownership interest held by the Group.

	2020 \$'000
Income and expenses	
Revenue	1,774
Total comprehensive income	1
Assets and liabilities	
Non-current assets	1,042
Current assets	399
Non-current liabilities	(626)
Current liabilities	(544)
Net assets	271

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

	2020 \$'000
Net assets of MDS	271
Proportion of equity interest in the associate	25%
Group's share of interest in associate	68
Add: Goodwill on acquisition date	414
Less: Fair value of sign-on bonus	(2)
Carrying amount	480

The effects of acquisition of associate on the consolidated statement of cash flows was as follows:

	2020 \$'000
Total purchase consideration	480
Less: Advance payments paid in previous financial year	(139)
Net cash outflow on acquisition	341

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

Derecognition of investments 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 consolidated statement of comprehensive income 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 on disposal of approximately \$366,000 recognised in the consolidated statement of comprehensive income. 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 consolidated statement of comprehensive income for the financial year ended 31 May 2019.

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 amount of the investment in MDN was derecognised and the retained interests in this investment was recognised as financial assets measured at FVTPL. A gain arising from remeasurement of investment to fair value of \$2,970,000 upon ceasing equity accounting has been recognised as an income in the consolidated statement of comprehensive income 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 7). 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 was accounted for using the equity method up to 30 September 2018 in the consolidated financial statements ended 31 May 2019.

9. INVESTMENT IN JOINT VENTURES

	Group and Company	
	2020	2019
	\$'000	\$'000
Unquoted equity investment, at cost	1	1
Deemed investment arising from discount on non-current receivables from a joint venture (Note 13)	89	89
	90	90

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

9. 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	
			2020	2019
			%	%
Held by the Company				
Zenmedic Capital Pte. Ltd.	Singapore	Investment holding company	27.8	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. ("HPPL"). The Group acquired 40 ordinary shares 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.

Derecognition of investment in a joint venture

On 5 July 2019, the Company disposed its entire 51% equity interest in HMC and derecognised the investment in joint venture, HPPL held by HMC.

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:

	Group	
	2020	2019
	\$'000	\$'000
The Group's share of gain/(loss) before tax	55	(4)
The Group's share of gain/(loss) after tax	55	(4)
The Group's share of total comprehensive income	55	(4)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

10. DEBT INSTRUMENTS AT AMORTISED COST

	Group and Company	
	2020	2019
	\$'000	\$'000
Quoted debt securities at amortised cost:		
- Singapore Exchange	2,000	2,000

The effective interest rate of the quoted debt securities is 5.75% (2019: 5.75%) per annum.

As at 31 May 2020, the quoted debt securities have nominal values amounting to \$2,000,000 (2019: \$2,000,000) with coupon rate of 5.75% (2019: 5.75%) per annum and maturity date on 15 September 2021.

The fair value of quoted debt instruments is \$1,962,000 (2019: \$1,980,000) which was 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.

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

	Group and Company	
	2020	2019
	\$'000	\$'000
Balance at beginning of financial year	9,211	-
Reclassification from available-for-sale financial assets	-	1,028
Additions during the financial year	655	8,269
Capital contribution during the financial year	-	64
Capital reduction during the financial year	(76)	-
Fair value change recognised during the financial year	(1,977)	(150)
Balance at end of financial year	7,813	9,211
Quoted equity securities:		
- Singapore Exchange	6,014	8,119
Unquoted equity securities, including capital contribution ("Investment I")	1,252	1,092
Unquoted equity securities ("Investment II")	547	-
	7,813	9,211

In the prior financial year, the Group had 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" line item of the consolidated statement of comprehensive income for the financial year ended 31 May 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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

During the financial year, the Company acquired 4.82% equity interest in SPH as part of a restructuring exercise and the fair value of this investment as at initial recognition is disclosed in Note 7 to the financial statements.

As at 31 May 2020, the Group has a capital commitment of \$984,000 (2019: \$908,000) in relation to unpaid capital contribution in HSN Healthcare Pte. Ltd. ("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 investments in unquoted equity securities including capital contribution were valued by two independent valuation firms and the valuation techniques used to derive the fair value are disclosed in Note 41.5 to the financial statements.

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	
	2020	2019
	\$'000	\$'000
Deferred tax assets	12	2
Deferred tax liabilities	(95)	(72)

Movements in deferred tax assets were as follows:

	Group	
	2020	2019
	\$'000	\$'000
Balance at beginning of financial year	2	2
Credited to consolidated statement of comprehensive income	12	-
Arising from disposal of subsidiaries	(2)	-
Balance at end of financial year	12	2

Movement in deferred tax liabilities was as follows:

	Group	
	2020	2019
	\$'000	\$'000
Balance at beginning of financial year	(72)	(96)
(Charged)/Credited to consolidated statement of comprehensive income	(23)	24
Balance at end of financial year	(95)	(72)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

12. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Deferred tax assets are attributable to temporary differences arising from accelerated tax depreciation computed at Singapore's income tax rate of 17% (2019: 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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Non-current assets				
Advance payments	15	139	15	139
Other receivables				
- joint venture	564	536	564	536
- lease receivables	-	-	312	-
	564	536	876	536
	579	675	891	675
Current assets				
Trade receivables				
- third parties	698	1,815	-	-
- subsidiaries	-	-	261	30
- related party	-	39	-	-
Less:				
Loss allowance on trade receivables - third parties	(17)	-	-	-
	681	1,854	261	30
Other receivables				
- third parties	304	137	244	64
- subsidiaries	-	-	2,132	2,181
- joint venture	8	8	8	8
- lease receivables	-	-	170	-
Less:				
Loss allowance on other receivables - subsidiaries	-	-	(221)	(21)
	312	145	2,333	2,232
Government grant receivables	222	-	23	-
Deposits	166	149	48	47
	1,381	2,148	2,665	2,309
Total trade and other receivables	1,960	2,823	3,556	2,984

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables are unsecured, non-interest bearing and generally ranging from 1 to 180 (2019: 1 to 180) days' credit terms.

The other receivables due from subsidiaries 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.

In previous financial year, 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 9). 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 the consolidated statement of comprehensive income over the expected repayment period. The significant unobservable input used in determining the 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 the fair value.

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

The lease receivables relate to the clinic premises leased out by the Company to its subsidiaries. The Company's sub-lease of its right-of-use of the clinic premises is classified as finance lease because the sub-lease is for the entire remaining lease term of the head lease. Right-of-use assets relating to the head leases with sub-leases classified as finance lease is derecognised and the net investment in the sub-lease is recognised as lease receivables. Finance income on the net investment in sub-lease during the financial year is \$18,000. As at 31 May 2020, the lease receivables relate to the sub-leases which were classified as lease liabilities on adoption of SFRS(I) 16, as disclosed in Note 28 to the financial statements.

The government grant receivables and deferred government grant income are related to Jobs Support Scheme ("JSS") announced by the Singapore Government to provide wage support to employers to help them retain their local employees during this period of economic uncertainty. In determining the timing of recognition of the JSS grant income, the management assessed that the Group is impacted from April 2020 onwards following the circuit-breaker measure and hence JSS grant income is recognised in the consolidated statement of comprehensive income from the month of April 2020 onwards.

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

	Group	
	2020	2019
	\$'000	\$'000
Balance at beginning of financial year	–	55
Loss allowance made during the financial year	17	–
Bad receivables written off	–	(55)
Balance at end of financial year	17	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Company	
	2020	2019
	\$'000	\$'000
Balance at beginning of financial year	21	-
Loss allowance made during the financial year	200	21
Balance at end of financial year	221	21

Management has performed impairment assessment for the amount due from subsidiaries using the three-stage expected credit loss ("ECL") model. Following the review, an ECL allowance of \$200,000 (2019: \$21,000) is recognised by the Company.

The remaining other receivables from subsidiaries are considered to be of low credit risk and subject to immaterial credit loss. Credit risk for these assets has not increased significantly since their initial recognition.

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	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Put option	549	-	549	-
Forward purchase contracts	1,372	-	1,914	542
	1,921	-	2,463	542
Non-current liabilities				
Options to re-purchase	(28)	(619)	(28)	(619)
Forward purchase contracts	-	-	(230)	(215)
	(28)	(619)	(258)	(834)
	1,893	(619)	2,205	(292)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of financial year	(619)	(69)	(292)	(69)
Recognition of derivative financial instruments at initial recognition	-	-	-	327
Fair value gain/(loss) recognised during the financial year	1,921	(550)	1,906	(550)
Arising from disposal of subsidiaries	591	-	591	-
Balance at end of financial year	1,893	(619)	2,205	(292)

Put option

Pursuant to the sale and purchase agreement dated 3 September 2019 as disclosed in Note 7 to the financial statements, the vendor has granted the Company a put option to require the vendor to repurchase the issued and fully paid-up share capital held by the Company in JOES, at a sum of certain percentage of the purchase consideration paid, should the doctor's employment be terminated. As at the end of the reporting period, management assessed the probability of exercising the put option by the Company is minimal.

As at the end of the reporting period, the fair value of the put option has been determined using the Binomial Option Pricing model and are considered as level 3 recurring fair value measurements. The significant judgement and assumptions to the valuation include volatility rate and risk-free rate as disclosed in Note 41.5 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Forward purchase contracts

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

- (a) The Company's further acquisition of the remaining 45% and 15% of issued and fully paid-up share capital of MDS as disclosed in Note 8 to the financial statements.
- (b) The Company's further acquisition of the remaining 49% of 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 from 1 June 2017 to 31 May 2021.
- (c) The Company's further acquisition of the remaining 30% of issued and fully paid-up share capital of JOES as disclosed in Note 7 to the financial statements.
- (d) The Company's further acquisition of the remaining 49% of issued and fully paid-up share capital of JLES as disclosed in Note 7 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 judgement and assumptions to the valuations include estimated profit after tax for future years and risk-free rate as disclosed in Note 41.5 to the financial statements.

Options to re-purchase

The option to re-purchase represents option granted to one (2019: three) vendor for the acquisition of LBPL (2019: LBPL, CTK and HMC). 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 with the Group.

The options to re-purchase granted to CTK's and HMC's vendors are derecognised upon disposal of the subsidiaries during the financial year as referred to in Note 7 to the financial statements.

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

As at the end of the reporting period, the fair value of derivative financial instrument has been determined using the Binomial Option Pricing model and are considered as level 3 recurring fair value measurements. The significant judgement and assumptions to the valuation include the volatility rate and risk-free rate as disclosed in Note 41.5 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

15. INVENTORIES

	Group	
	2020	2019
	\$'000	\$'000
Medical and surgical supplies	470	311

During the financial year, the Group carried out a review of the inventory obsolescence and the review led to the recognition of inventories written off amounting to \$11,000 (2019: \$4,000) that have been included in "other expenses" line item in consolidated statement of comprehensive income.

16. CASH AND BANK BALANCES

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Fixed deposits	1,500	680	1,500	680
Cash and bank balances	5,288	4,347	2,847	1,381
	6,788	5,027	4,347	2,061

For the financial year ended 31 May 2020, fixed deposits were placed for a period of 3 to 6 months (2019: 12 months) and bear average effective interest rate of 0.55% to 0.75% (2019: 1.80%) per annum.

For the purpose of presenting the 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 are as follow:

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Singapore dollar	6,770	5,027	4,329	2,061
United States dollar	18	-	18	-
	6,788	5,027	4,347	2,061

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

17. SHARE CAPITAL

	Group and Company			
	2020	2019	2020	2019
	Number of ordinary shares ('000)		\$'000	\$'000
Issued and fully-paid:				
Balance at beginning of financial year	149,636	149,636	14,433	14,433
Issuance of ordinary shares pursuant to the acquisition of non-controlling interests	1,760	–	986	–
Balance at end of financial year	151,396	149,636	15,419	14,433

On 11 October 2019, the Company increased its issued and fully paid-up share capital by way of allotment and issuance of 1,760,000 new ordinary shares at an issue price of \$0.56 per ordinary share for consideration of \$986,000 as a partial payment pursuant to an acquisition of non-controlling interests in a subsidiary.

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			
	2020	2019	2020	2019
	Number of ordinary shares ('000)		\$'000	\$'000
Balance at beginning of financial year	830	460	541	321
Repurchase of shares during the financial year	–	670	–	426
Issuance of shares pursuant to the acquisition of a subsidiary	–	(300)	–	(206)
Balance at end of financial year	830	830	541	541

In the prior financial year, the Company acquired 670,000 of its ordinary shares through purchases in the open market. The total amount paid to repurchase the shares was \$426,000 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 51% 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 re-issuance being recognised as capital reserve (Note 20).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

19. MERGER RESERVE

Merger reserve represents the difference between the consideration paid and the issued and fully paid share capital of subsidiaries 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 and the differences between the consideration paid and the carrying amount of non-controlling interests acquired during the financial year.

21. OTHER RESERVE

Other reserve represents the forward purchase contracts over non-controlling interests of subsidiaries.

22. RETAINED EARNINGS

Movements in retained earnings of the Company were as follows:

	Company	
	2020	2019
	\$'000	\$'000
Balance at beginning of financial year	6,804	2,674
Total comprehensive income for the financial year	181	7,112
Dividends (Note 37)	(3,743)	(2,982)
Derecognition of convertible bond (Note 25)	533	-
Balance at end of financial year	3,775	6,804

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

23. OTHER FINANCIAL LIABILITIES

	Group	
	2020	2019
	\$'000	\$'000
Non-current		
Present value at beginning of financial year	829	-
Present value at initial recognition	1,099	829
Unwinding interest expenses on other financial liabilities	76	-
Changes in estimated future cash flow on other financial liabilities	413	-
Present value at end of financial year	2,417	829

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

- (i) Remaining 49% of the issued and fully paid-up share capital of JLES and MLCS as referred to in Note 7 and Note 14 respectively to the financial statements; and
- (ii) Remaining 30% of the issued and fully paid-up share capital of JOES as referred to in Note 7 to the financial statements.

As at the end of the reporting period, the other financial liabilities are measured at the present value of the exercise price for the forward purchase contracts which will be exercised on 1 August 2021, 1 September 2022 and 31 October 2021 with a corresponding entry to "other reserve" line item in the Group's equity (Note 21).

As at 31 May 2020, the present value of the exercise price of one of the forward purchase contract is approximately \$1,317,000 (2019: \$829,000). The changes in estimated future cash flow on other financial liabilities of approximately \$413,000 (2019: \$Nil) is included in "finance costs" line item in the consolidated statement of comprehensive income.

The unwinding interest expenses on other financial liabilities of approximately \$76,000 is included in "finance costs" line item in the consolidated statement of comprehensive income.

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

	Group	
	2020	2019
Discount rate	9.2%	9.2%
Exercise price for forward purchase contracts	\$'000	\$'000
MLCS on 1 August 2021	117	102
JLES on 1 September 2022	1,571	1,080
JOES on 31 October 2021	1,200	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

23. OTHER FINANCIAL LIABILITIES (CONTINUED)

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

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

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

24. BANK BORROWINGS

	Group and Company	
	2020	2019
	\$'000	\$'000
Non-current		
<i>Unsecured</i>		
Term loan II	5,000	-
Current		
<i>Unsecured</i>		
Term loan I	-	500
	5,000	500

The Group and the Company had drawn down term loan II amounted to \$5.0 million on 6 May 2020. It is repayable over 48 months commencing from June 2021 to May 2025 and the loan interest is charged at 2% per annum. The term loan II is subject to financial covenants imposed by the bank.

Term loan I was repayable over 24 months commencing from January 2018 to December 2019 and the average effective interest rate of the bank borrowings was 1.09% (2019: 2.32% to 3.1%) per annum. Term loan I was arranged at floating rates and was subject to financial covenants imposed by the bank. It was fully settled during the financial year ended 31 May 2020.

Further details of the management of liquidity risk are set out in Note 41.3 to the financial statements.

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

	Group and Company	
	2020	2019
	\$'000	\$'000
Facilities granted	9,500	6,750
Facilities unutilised	4,500	6,250

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

25. CONVERTIBLE BOND

On 26 July 2019, the Company entered into a 5.5% convertible bond agreement with an investor ("Investor") for an aggregate principal amount of \$5.0 million, 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 ("Convertible Bond") 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 \$5.0 million at the exercise price of \$0.62 per option share ("Option"). The issuance of convertible bond was completed on 22 August 2019.

The fair value of the Convertible Bond and Option as at issuance date was valued by an independent valuation firm. The carrying amount of the liability component of Convertible Bond at the end of the reporting period is arrived as follows:

	Group and Company 2020 \$'000
Nominal value of Convertible Bond	5,000
Equity component	(533)
Liability component of Convertible Bond at initial recognition	4,467
Unwinding interest during the financial year (Note 33)	312
Loss on derecognition of Convertible Bond (Note 34)	417
Convertible Bond redeemed during the financial year	(5,196)
Liability component of Convertible Bond at end of financial year	-

On 17 April 2020, the Company and the Investor entered into an early redemption and termination deed and mutually agreed to the early redemption of the Convertible Bond, the cancellation of the Option and the termination of the agreement. On 8 May 2020, the Company has fully redeemed the Convertible Bond for approximately \$5.19 million, which is equivalent to the aggregate principal amount of \$5.0 million together with unpaid interest accrued.

The unwinding interest of approximately \$312,000 computed using effective interest rate of 9.80% was recognised in "finance costs" line item of the consolidated statement of comprehensive income.

The resulting loss on derecognition of Convertible Bond of approximately \$417,000 was recognised in "other expenses" line item of the consolidated statement of comprehensive income. The conversion feature of the Convertible Bond classified as equity amounting to approximately \$533,000 was recycled to retained earnings upon derecognition and has been presented as a component within shareholders' equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

26. PROVISIONS

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<u>Provision for reinstatement cost</u>				
Balance at beginning of financial year	123	84	21	13
Provision made during the financial year	34	8	-	8
Reversal of provision not utilised	(15)	-	-	-
Arising from acquisition of subsidiaries	-	31	-	-
Arising from disposal of subsidiaries	(20)	-	-	-
Balance at end of financial year	122	123	21	21
Presented in statements of financial position				
- Non-current	85	123	21	21
- Current	37	-	-	-
	122	123	21	21

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 assets, which is capitalised and included in the cost of right-of-use assets and plant and equipment (2019: plant and equipment).

27. LEASE LIABILITIES

	Group	Company
	2020	2020
	\$'000	\$'000
Balance at 1 June 2019		
- Adoption of SFRS(I) 16 (Note 2.1)	1,970	570
Additions	1,802	326
Lease modification	70	-
Interest expense	83	26
Lease payments		
- Principal portion	(836)	(286)
- Interest portion	(83)	(26)
Arising from disposal of subsidiaries	(278)	-
Balance at 31 May 2020	2,728	610

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

27. LEASE LIABILITIES (CONTINUED)

The maturity analysis of lease liabilities of the Group and the Company at the end of the reporting period are as follows:

	Group 2020 \$'000	Company 2020 \$'000
Contractual undiscounted cash flows		
- Within one financial year	956	275
- After one financial year but within five financial years	1,771	367
- After five financial years	200	-
	2,927	642
Less: Future interest expense	[199]	[32]
Present value of lease liabilities	2,728	610
Presented in statements of financial position		
- Non-current	1,848	353
- Current	880	257
	2,728	610

The Group and the Company lease a number of office and clinic premises in Singapore. All payments are fixed over the lease terms.

The Group leases certain clinic premises on a short-term basis (i.e. 12 months). The election of short-term leases is made by class of underlying assets with similar nature and used in the Group's and the Company's operations.

As at 31 May 2020, the incremental borrowing rate applied in the lease liabilities measurement was 3.67%.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Trade payables				
- third parties	155	149	-	12
Other payables				
- third parties	200	321	49	-
- subsidiaries	-	-	799	280
- related parties	16	68	-	-
	216	389	848	280
Accrued expenses	1,746	2,260	621	712
Deferred government grant income	288	-	36	-
Goods and services tax payable, net	113	331	68	76
Refundable deposits from customers	92	31	-	-
Total trade and other payables	2,610	3,160	1,573	1,080

Trade payables are unsecured, non-interest bearing and are normally settled between 30 to 60 (2019: 30 to 60) days' credit terms.

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

Deferred government grant income is in respect of JSS, details of which are disclosed in Note 13 to the financial statements.

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

29. REVENUE

	Group	
	2020	2019
	\$'000	\$'000
<u>Type of goods or services</u>		
Provision of medical services	16,723	18,318
<u>Timing of transfer of goods and services</u>		
Point in time	16,723	18,318

The revenue of the Group are all generated within Singapore.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

30. OTHER INCOME

	Group	
	2020	2019
	\$'000	\$'000
Government grants	334	92
Dividend income from financial assets at FVTPL	505	253
Dividend income from joint venture	16	–
Interest income	166	131
Gain from disposal of plant and equipment	5	26
Gain from disposal of X-ray business	–	114
Gain on lease modification	5	–
Facility fee income	46	–
Consultancy fee income	117	–
Rental rebates	97	–
Others	15	28
	1,306	644

31. EMPLOYEE BENEFITS EXPENSE

	Group	
	2020	2019
	\$'000	\$'000
Salaries, bonuses and other short-term benefits	5,545	5,978
Employer's contributions to defined contribution plans	420	497
	5,965	6,475

Included in the employee benefits expense 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 40 to the financial statements.

32. DEPRECIATION AND AMORTISATION EXPENSES

	Group	
	2020	2019
	\$'000	\$'000
Depreciation of plant and equipment	426	415
Depreciation of right-of-use assets	897	–
Amortisation of intangible assets	10	13
	1,333	428

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

33. FINANCE COSTS

	Group	
	2020	2019
	\$'000	\$'000
Interest expenses:		
- bank borrowings	12	56
- convertible bond	312	-
- lease liabilities	83	-
Unwinding interest expense on other financial liabilities	76	-
Changes in estimated future cash flow on other financial liabilities	413	-
	896	56

34. 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	
	2020	2019
	\$'000	\$'000
<i>Lease expenses</i>		
- short term leases	166	-
<i>Operating lease expenses</i>		
- rental expenses for premises	-	1,054
<i>Other expenses</i>		
Audit fees		
- auditors of the Company	172	201
Non-audit fees		
- auditors of the Company	-	-
Administrative charges	169	194
Allowance for impairment loss on plant and equipment	41	-
Allowance for impairment loss on right-of-use assets	95	-
Allowance for impairment loss on goodwill	722	415
Bad third parties trade receivables written off	3	2
Credit card charges	133	147
Inventories written off	11	4
IT expenses	65	97
Loss allowance on third parties trade receivables	17	-
Loss on derecognition of convertible bond	417	-
Plant and equipment written off	7	80
Professional fees	451	447

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

35. INCOME TAX EXPENSE

	Group	
	2020	2019
	\$'000	\$'000
Current income tax		
- current financial year	882	1,032
- (over)/under provision in prior financial years	(110)	10
	772	1,042
Deferred tax		
- current financial year	11	(24)
	11	(24)
Total income tax expense recognised in consolidated statement of comprehensive income	783	1,018

Reconciliation of effective income tax rate

	Group	
	2020	2019
	\$'000	\$'000
Profit before income tax	4,823	9,444
Share of results of an associate, net of tax	-	41
	4,823	9,485
Income tax calculated at Singapore's statutory income tax rate of 17% (2019: 17%)	820	1,612
Tax effect of expenses non-deductible for income tax purposes	608	132
Tax effect of income not subject to income tax	(385)	(539)
Tax effect of tax exempt income	(157)	(194)
Deferred tax assets not recognised	40	5
Corporate tax rebate and incentive	(46)	-
(Over)/Under provision of current income tax in prior financial years	(110)	10
Others	13	(8)
	783	1,018

Unrecognised deferred tax assets

	Group	
	2020	2019
	\$'000	\$'000
Balance at beginning of financial year	54	56
Adjustment resulting from change in temporary differences	(1)	(7)
Amount not recognised in consolidated statement of comprehensive income	40	5
Balance at end of financial year	93	54

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

35. INCOME TAX EXPENSE (CONTINUED)

Unrecognised deferred tax assets (Continued)

Unrecognised deferred tax assets are attributable to the following temporary differences computed at statutory income tax rate of 17% (2019: 17%):

	Group	
	2020	2019
	\$'000	\$'000
Accelerated tax depreciation	36	4
Unutilised tax losses	54	47
Others	3	3
	93	54

As at 31 May 2020, the Group has unutilised tax losses of \$318,000 (2019: \$276,000) 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.

36. EARNINGS PER SHARE

The calculation for earnings per share is based on:

	Group	
	2020	2019
Profit attributable to owners of the parent (\$'000)	3,498	7,206
Weighted average number of ordinary shares in issue during the financial year applicable to earnings per share ('000)	149,931	149,042
Earnings per share (in cents)		
- Basic and diluted	2.33	4.83

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 2020 and 31 May 2019 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

37. DIVIDENDS

	Group	
	2020	2019
	\$'000	\$'000
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
Final tax-exempt dividend of \$0.012 per ordinary share for financial year ended 31 May 2019	1,786	–
First interim tax-exempt dividend of \$0.013 per ordinary share for financial year ended 31 May 2020	1,957	–
	3,743	2,982

The Board of Directors proposed that a final tax-exempt dividend of \$0.007 (2019: \$0.012) per ordinary share amounting to \$1,057,000 (2019: \$1,786,000) to be paid for the financial year ended 31 May 2020. 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.

38. CAPITAL COMMITMENTS

On 20 April 2020, the Company entered into a sale and purchase agreement for the acquisition of 51% of the issued and fully paid-up share capital in GMH Endoscopy & Surgery Pte. Ltd. ("GMH"). The consideration for the acquisition amounted to \$765,000, of which \$576,000 is to be settled in cash, and the remaining to be paid by way of issuance of the Company's shares. As at the end of the reporting period, an amount of \$15,000 was paid as disclosed in Note 13 to the financial statements and the acquisition is not completed. As a result, the purchase consideration of \$765,000 is contracted for but not provided in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

39. OPERATING LEASE COMMITMENTS

The Group and the Company as lessee

The Group and the Company lease office and clinic premises 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 31 May 2019, the future minimum lease payable under non-cancellable operating leases contracted for but not recognised as liabilities were as follows:

	Group \$'000	Company \$'000
Within one financial year	1,009	204
After one financial year but within five financial years	567	132
	<u>1,576</u>	<u>336</u>

During the current financial year, lease expenses on short-term lease (2019: rental expenses for operating leases) of \$166,000 (2019: \$1,054,000) is included in "Lease expenses/Operating lease expenses" line item in the consolidated statement of comprehensive income.

The Company as lessor

The Company subleases its clinic premises under non-cancellable operating leases to its subsidiaries as disclosed in Notes 13 and 41 to the financial statements. The leases have varying terms, escalation clauses and renewal rights.

As at 31 May 2019, the future minimum lease receivables under non-cancellable operating leases contracted but not recognised as receivables was as follows:

	Company \$'000
Within one financial year	<u>30</u>

The above operating lease commitments are based on existing rental rates for the prior financial year ended 31 May 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

40. 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	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
With associates				
Management fee income	3	4	3	4
Services rendered income	-	32	-	-
Services rendered expense	4	129	-	-
Consultancy fee income	92	-	92	-
Rental payment	23	-	-	-
With subsidiaries				
Expenses paid on behalf of	-	-	4,520	4,264
Rental income	-	-	94	-
Management fee income	-	-	1,898	1,896
Consultancy fee income	-	-	-	75
Advances from	-	-	1,880	165
Advances to	-	-	320	132
Dividend income	-	-	3,319	3,694
With joint venture				
Interest income	28	-	28	-
Dividend income	16	-	16	-
Loans to	-	536	-	536
With related parties				
Rental payment	394	467	48	48

The outstanding balances as at 31 May in respect of the above transactions with related parties are disclosed in Notes 13 and 28 to the financial statements. There are no outstanding balances with Key Management Personnel.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

40. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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.

The remuneration of Directors and other Key Management Personnel of the Group and the Company during the financial years ended 31 May 2020 and 31 May 2019 were as follows:

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Directors of the Company				
- short-term employee benefits	1,464	1,372	281	298
- post-employment benefits	27	29	3	6
- Directors' fees	100	100	100	100
	1,591	1,501	384	404
Directors of the subsidiaries				
- short-term employee benefits	1,362	1,839	-	-
- post-employment benefits	87	118	-	-
	1,449	1,957	-	-
Other Key Management Personnel				
- short-term employee benefits	502	518	360	339
- post-employment benefits	52	52	35	32
	554	570	395	371
	3,594	4,028	779	775

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

41. 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 establishes 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.

41.1 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 \$2,393,000 (2019: \$2,211,000) and \$572,000 (2019: \$544,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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

41.1 Credit risks (Continued)

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 2020 and 31 May 2019.

	Gross carrying amount \$'000	Loss allowance \$'000	Credit impaired
2020			
Group			
Not past due	487	–	No
Past due but not impaired			
- less than 1 month	115	–	No
- 1 to 3 months	54	–	No
- over 3 months	42	(17)	Yes
	698	(17)	
2019			
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	–	

Loss allowance of \$17,000 is related to credit-impaired balance from a customer who is not likely to repay the outstanding balances mainly due to economic circumstances or who has defaulted in payment terms.

Management believes that no impairment allowance is necessary for the remaining 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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

41.1 Credit risks (Continued)

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 \$221,000 (2019: \$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.

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 \$6,788,000 and \$4,347,000 respectively as at 31 May 2020 (2019: \$5,027,000 and \$2,061,000). 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 (2019: \$2,000,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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

41.2 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% (2019: 5%) higher or lower with all other variables held constant, the Group's profit or loss would have been approximately \$301,000 (2019: \$406,000) higher or lower, arising as a result of an increase or 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 41.5 to the financial statements.

41.3 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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

41.3 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 \$'000	After one financial year but within five financial years \$'000	After five financial years \$'000	Total \$'000
Group				
2020				
Financial liabilities				
Non-interest bearing				
- Trade and other payables	2,209	-	-	2,209
- Other financial liabilities	-	2,771	-	2,771
Interest bearing				
- Bank borrowings	107	5,204	-	5,311
- Lease liabilities	956	1,771	200	2,927
Total undiscounted financial liabilities	3,272	9,746	200	13,218
2019				
Financial liabilities				
Non-interest bearing				
- Trade and other payables	2,829	-	-	2,829
- Other financial liabilities	-	1,080	-	1,080
Interest bearing				
- Bank borrowings	506	-	-	506
Total undiscounted financial liabilities	3,335	1,080	-	4,415

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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

41.3 Liquidity risks (Continued)

Contractual maturity analysis (Continued)

	Within one financial year \$'000	After one financial year but within five financial years \$'000	After five financial years \$'000	Total \$'000
Company				
2020				
Financial liabilities				
Non-interest bearing				
- Trade and other payables	1,469	-	-	1,469
Interest bearing				
- Bank borrowings	107	5,204	-	5,311
- Lease liabilities	275	367	-	642
Total undiscounted financial liabilities	1,851	5,571	-	7,422
2019				
Financial liabilities				
Non-interest bearing				
- Trade and other payables	1,004	-	-	1,004
Interest bearing				
- Bank borrowings	506	-	-	506
Total undiscounted financial liabilities	1,510	-	-	1,510

41.4 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 2020 and 31 May 2019.

The Group and the Company are subject to and have complied with financial covenants as disclosed in Note 24 to the financial statements for the financial years ended 31 May 2020 and 31 May 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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

41.5 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 management estimates that the carrying amount of bank borrowings approximate its fair value as the interest rate of the borrowing approximates the market lending rate for similar types of loan as at the end of the reporting period.

The fair value of the quoted debt instruments is disclosed in Note 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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

41.5 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			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Group				
2020				
Financial assets				
Financial assets at FVTPL				
- Quoted equity securities	6,014	-	-	6,014
- Unquoted equity securities				
- Investment I	-	-	1,252	1,252
- Investment II	-	-	547	547
Derivative financial instruments	-	-	1,921	1,921
	6,014	-	3,720	9,734
Financial liabilities				
Derivative financial instruments	-	-	28	28
2019				
Financial assets				
Financial assets at FVTPL				
- Quoted equity securities	8,119	-	-	8,119
- Unquoted equity securities				
- Investment I	-	-	1,092	1,092
	8,119	-	1,092	9,211
Financial liabilities				
Derivative financial instruments	-	-	619	619

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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

41.5 Fair value of financial assets and financial liabilities (Continued)

Fair values of financial instruments carried at fair value (Continued)

	Fair value measurements using			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Company				
2020				
Financial assets				
Financial assets at FVTPL				
- Quoted equity securities	6,014	-	-	6,014
- Unquoted equity securities				
- Investment I	-	-	1,252	1,252
- Investment II	-	-	547	547
Derivative financial instruments	-	-	2,463	2,463
	6,014	-	4,262	10,276
Financial liabilities				
Derivative financial instruments	-	-	258	258
2019				
Financial assets				
Financial assets at FVTPL				
- Quoted equity securities	8,119	-	-	8,119
- Unquoted equity securities				
- Investment I	-	-	1,092	1,092
Derivative financial instruments	-	-	542	542
	8,119	-	1,634	9,753
Financial liabilities				
Derivative financial instruments	-	-	834	834

The carrying amounts of financial assets at fair value through profit or loss are disclosed on the face of statements of financial position and in Note 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 2020 and 31 May 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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

41.5 Fair value of financial assets and financial liabilities (Continued)

Fair values of financial instruments carried at fair value (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 instruments	Valuation techniques used	Significant unobservable inputs	Average		Relationship between key unobservable inputs and fair value
			2020	2019	
Financial assets at fair value through profit or loss:					
- Investment I	Income approach based on discounted cash flow	Revenue growth rate	22.7%	21.7%	A slight increase in the revenue growth rate used in isolation would result in an increase in the fair value.
		Discount rate	10.0%	18.5%	A slight increase in the discount rate used in isolation would result in a decrease in the fair value.
		Terminal growth rate	0%	2.0%	A slight increase in the terminal growth rate used in isolation would result in an increase in the fair value.
		Discount for lack of control ("DLOC")	24.0%	20.0%	A slight increase in the DLOC would result in a decrease in fair value.
- Investment II	Market approach based on EV/EBITDA multiple	Earnings multiple	3.9 to 5.4	-	A slight increase in the earnings multiple would result in an increase in the fair value.
		Discount for lack of marketability ("DLOM")	16.4%	-	A slight increase in the DLOM would result in a decrease in fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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

41.5 Fair value of financial assets and financial liabilities (Continued)

Fair values of financial instruments carried at fair value (Continued)

Financial instrument	Valuation techniques used	Significant unobservable inputs	Average rate		Relationship between key unobservable inputs and fair value
			2020	2019	
Put options	Binomial option pricing model	Volatility rate	77.9%	–	A slight increase in the volatility rate would result in an increase in fair value.
		Risk-free rate	0.8%	–	A slight increase in the risk-free rate would result in an increase in fair value.
Options to re-purchase	Binomial option pricing model	Volatility rate	41.9%	32.7%	A slight increase in the volatility rate would result in an increase in fair value.
		Risk-free rate	1.6%	2.0%	A slight increase in the risk-free rate would result in an increase in fair value.
Forward purchase contracts	The valuation method considers the difference between spot price adjusted for the present value of dividends and the present value of forward price.	The fair value of the forward purchase contracts is determined based on the difference between spot price derived from equity value and present value of the forward price derived from estimated profit after tax for future years.	–	–	A slight increase in the spot price would result in an increase in fair value. A slight increase in the present value of the forward price would result in a decrease in fair value.
		Risk-free rate	0.9% to 1.5%	1.9%	A slight increase in the risk-free rate would result in an increase in fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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

41.5 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.

41.6 Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Debt instruments at amortised cost	2,000	2,000	2,000	2,000
Fair value through profit or loss				
- Derivative financial instruments	1,921	-	2,463	542
Financial assets at FVTPL	7,813	9,211	7,813	9,211
Financial assets at amortised cost	8,733	7,711	7,888	4,906
	20,467	18,922	20,164	16,659
Financial liabilities				
Financial liabilities designated at fair value through profit or loss	28	619	258	834
Other financial liabilities at amortised cost	12,354	4,158	7,079	1,504
	12,382	4,777	7,337	2,338

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

42. 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 years ended 31 May 2020 and 31 May 2019, 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.

43. IMPACT OF COVID-19 OUTBREAK ON THE GROUP'S OPERATIONS

On 31 January 2020, the World Health Organisation declared the COVID-19 outbreak a global health emergency.

The Singapore Multi-Ministry Taskforce implemented an elevated set of safe distancing measures ("circuit breaker") from 7 April 2020 to 1 June 2020, to pre-empt the trend of increasing local transmission of COVID-19. Except for those providing essential services and selected economic sectors which are critical for local and global supply chains, all businesses are required to suspend all in-person activities and activities at the business location. The Ministry of Health also imposed restrictions on the medical services that the Group can perform. As a result, the Group's operations and financial position was affected towards the end of the financial year ended 31 May 2020.

The pandemic may continue to affect the Group in the next 12 months, hence the Group will stay vigilant and focus on driving revenue and improving operating efficiencies in a bid to contain costs. In addition, the Group has considered the challenges arising from the outbreak and assessed the impact of COVID-19 on its operations, and anticipated that adequate funds are available for its operating requirements and meeting debt obligations. The Group will also continue to look for opportunities and suitable partners in its expansion plans, in addition to the ongoing search for young, talented specialists to join the Group to reinforce the Group's specialist platform to support the next generation of specialists.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

44. EVENTS AFTER THE REPORTING PERIOD

Acquisition of GMH Endoscopy & Surgery Pte. Ltd. ("GMH")

As disclosed in Note 38 to the financial statements, the Company had entered into a sale and purchase agreement but the acquisition in the equity interest of GMH is not completed at the end of the reporting period. Management determined that the Group obtained control over GMH after the end of the reporting period and hence, did not recognise it as a subsidiary.

The Company paid cash consideration of \$561,000 to the vendor on 3 July 2020. The Company also reissued 480,000 treasury shares of the Company to the vendor as satisfaction of the consideration shares under the sale and purchase agreement.

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 is not determinable as at the date of this report.

From the date of acquisition to date of authorisation of financial statements, GMH's revenue or profit before tax contribution to the Group is insignificant. There will be no impact to the Group's profit and revenue for the financial year even if the combination had taken place at the beginning of the financial year.

STATISTICS OF SHAREHOLDINGS

as at 24 August 2020

SHARE CAPITAL

Class of Shares	: Ordinary Shares
Number of issued and paid-up shares (excluding Treasury Shares)	: 151,045,730
Number of Treasury Shares	: 349,900
Number of subsidiary holdings	: -
Number (Percentage) of Treasury Shares to total number of issued shares excluding Treasury Shares*	: 0.23%
Voting rights (excluding Treasury Shares)	: One vote per ordinary share

* The Company does not have any subsidiary holdings.

DISTRIBUTION OF HOLDERS OF SHARES BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders		No. of Shares	
	of Shares	%		%
1 - 99	0	0.00	0	0.00
100 - 1,000	49	10.49	32,900	0.02
1,001 - 10,000	201	43.04	1,277,200	0.85
10,001 - 1,000,000	203	43.47	16,456,507	10.89
1,000,001 and above	14	3.00	133,279,123	88.24
Total	467	100.00	151,045,730	100.00

STATISTICS OF SHAREHOLDINGS

as at 24 August 2020

LIST OF 20 LARGEST REGISTERED SHAREHOLDERS

No.	Name	No. of Shares	%
1	RAFFLES NOMINEES (PTE) LIMITED	102,117,404	67.61
2	YEO KHEE SENG BENNY	5,539,409	3.67
3	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,750,000	2.48
4	LEO TING PING RONALD	3,415,629	2.26
5	RHB SECURITIES SINGAPORE PTE LTD	3,202,200	2.12
6	DBS NOMINEES PTE LTD	2,919,800	1.93
7	ONG KIAN PENG (WANG JIANBIN)	2,010,000	1.33
8	CITIBANK NOMINEES SINGAPORE PTE LTD	2,005,400	1.33
9	CHUA CHIN HENG ALAN	1,799,000	1.19
10	HONG LEONG FINANCE NOMINEES PTE LTD	1,580,000	1.05
11	IFAST FINANCIAL PTE LTD	1,389,881	0.92
12	APEX CAPITAL GROUP PTE LTD	1,270,000	0.84
13	KGI SECURITIES (SINGAPORE) PTE. LTD	1,162,300	0.77
14	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	1,118,100	0.74
15	UOB KAY HIAN PTE LTD	818,600	0.54
16	MAYBANK KIM ENG SECURITIES PTE. LTD	625,700	0.41
17	LAI JIUNN HERNG	625,555	0.41
18	JESSICA ONG BOON CHIN	617,284	0.41
19	TEOU KEM ENG @TEOU KIM ENG	500,000	0.33
20	LAU HOOI KHENG	473,500	0.31
Total:		136,939,762	90.65

SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of Substantial Shareholders

Name of Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Dr. Heah Sieu Min	63,988,980 ⁽¹⁾	42.36	-	-
Dr. Chia Kok Hoong	34,753,440 ⁽²⁾	23.01	-	-

⁽¹⁾ 63,988,980 shares were held through Raffles Nominees (Pte) Limited

⁽²⁾ 34,753,440 shares were held through Raffles Nominees (Pte) Limited

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 24 August 2020, approximately 31.20% 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

Important Notes to Members

1. The Annual General Meeting is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. This Notice of Annual General Meeting has been made available on SGXNet and the Company's website and may be accessed at the URL <https://www.sgx.com/securities/company-announcements> and <http://www.hcsurgicalspecialists.com/en/investor-relation/news>. A printed copy of this Notice of Annual General Meeting will NOT be despatched to members.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held by way of electronics means on Tuesday, 29 September 2020 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 2020 and the Directors' Statement and the Independent 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) Dr. Heah Sieu Min (pursuant to Regulation 97) **(Resolution 1)**
(Please see explanatory note 2)
 - (b) Mr. Ooi Seng Soon (pursuant to Regulation 97) **(Resolution 2)**
(Please see explanatory note 3)
3. To approve the payment of Directors' fees of S\$100,000/- for the financial year ended 31 May 2020 (FY2019: S\$100,000/-). **(Resolution 3)**
4. To declare a final dividend (tax-exempt one-tier) of S\$0.007 per ordinary share for the financial year ended 31 May 2020 (FY2019: S\$0.012 per ordinary share). **(Resolution 4)**
5. To re-appoint Messrs BDO LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:-

7. Authority to allot and issue shares

"That, pursuant to Section 161 of the Companies Act (Cap. 50) ("Companies Act"), and Rule 806 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist ("Catalist Rules"), authority 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 of the Company may in their absolute discretion deem fit, to:

NOTICE OF ANNUAL GENERAL MEETING

- (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 options, 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 one hundred 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 fifty per cent (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)

NOTICE OF ANNUAL GENERAL MEETING

8. Authority to offer and grant 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 of the Company 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 fifteen 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)

9. 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 fifteen 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)

10. The Proposed Renewal of the Share Buy-Back Mandate

That:

- (a) for the purposes of the Catalist Rules and the Companies Act, the Directors of the Company 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 ten 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:

NOTICE OF ANNUAL GENERAL MEETING

- (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 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.
- (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, one hundred and five 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, one hundred and twenty 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 during the relevant five (5) Market Days period and the day on which the purchases are made;

“**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

NOTICE OF ANNUAL GENERAL MEETING

- (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, 7 September 2020

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 Dr. Heah Sieu Min can be found on pages 172 - 178 in the Annual Report. Dr. Heah Sieu Min will, upon re-election as a Director of the Company, remain as the Executive Director and Chief Executive Officer.
3. The key information of Mr. Ooi Seng Soon can be found on pages 172 - 178 in the Annual Report. Mr. Ooi Seng Soon will, upon re-election as a Director of the Company, remain as the Independent Non-executive Director. He will also remain as the chairman of the Audit Committee, and member of the Nominating Committee and Remuneration Committee.
4. The ordinary resolution 6 above is to authorise the Directors of the Company from the date of the above AGM until the next AGM to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate one hundred per cent (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 fifty per cent (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 fifteen per cent (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 ten 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.

NOTICE OF ANNUAL GENERAL MEETING

Documents for the AGM

1. The Notice of AGM, Proxy Form, Annual Report and Appendix to the Annual Report have also been made available on the SGXNET as well as the Company's websites at the following URLs:-

SGX's website: <https://www.sgx.com/securities/company-announcements>

Company's website: <http://www.hcsurgicalspecialists.com/en/investor-relation/news>

Participation in the AGM via live webcast or live audio feed

2. As the AGM will be held by way of electronic means, members will NOT be able to attend the AGM in person. Instead, alternative arrangements have been put in place to allow members to participate at the AGM by:-
 - (a) watching the AGM proceedings via live audio-visual webcast or listening to the AGM proceedings via live audio-only feed;
 - (b) submitting questions in advance of the AGM; and/or
 - (c) appointing the Chairman of the AGM as proxy to vote on their behalf at the AGM.
3. Members are required to pre-register their participation in the AGM ("**Pre-registration**") at this link: <https://rebrand.ly/HCSurgicalAGMreg> by **2.00 p.m. on 26 September 2020, Saturday** ("**Registration Deadline**") for verification of their status as members (or the corporate representatives of such members).
4. Upon successful verification, each such member or its corporate representative will receive an email by **2.00 p.m. on 28 September 2020, Monday**. The email will contain instructions to access the webcast or audio feed of the AGM proceedings. Members or their corporate representatives must not forward the email to other persons who are not members and who are not entitled to participate in the AGM proceedings. Members or their corporate representatives who have pre-registered by the Registration Deadline but do not receive an email by **2.00 p.m. on 28 September 2020, Monday** may contact the Company by email at contact@hcsurgicalspecialists.com.
5. Investors who hold Shares through depository agents (as defined in Section 81SF of the Securities and Futures Act, Chapter 289) and wish to watch the "live" audio-visual webcast of the AGM must approach their respective depository agents to pre-register by **5.00 p.m. on 17 September 2020** in order to allow sufficient time for their respective depository agents to in turn pre-register their interest with the Company.

Voting by Proxy

6. A member will not be able to vote through the "live" audio-visual webcast and voting is only through submission of proxy form. A member (whether individual or corporate) must submit his/her/its proxy form appointing the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. The proxy form for the AGM may be accessed at this link: <http://www.hcsurgicalspecialists.com/en/investor-relation/news> and is available on the SGXNET at the URL <https://www.sgx.com/securities/company-announcements>.

NOTICE OF ANNUAL GENERAL MEETING

7. Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the proxy form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
8. The duly executed Proxy Form can be submitted to the Company in the following manner:
 - a) if submitted in hard copy by post, be lodged at the office of the Company's Share Registrar at 80 Robinson Road, #02-00, Singapore 068898; or
 - b) if submitted electronically, by sending a scanned PDF copy via email to sg.is.proxy@sg.tricorglobal.com,

in either case, by **2.00 p.m. on 26 September 2020** (being at least 72 hours before the time appointed for holding the AGM) (the "**Proxy Deadlines**").

9. A member who wishes to submit a Proxy Form must download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it electronically to the email address provided above.
10. Investors who hold their Shares through relevant intermediaries as defined in Section 181 of the Act (including CPF investors, SRS investors and holders under depository agents) and who wish to exercise their votes by appointing the Chairman of the AGM as proxy should approach their respective relevant intermediaries (including their respective CPF agent banks, SRS approved banks or depository agents) to submit their voting instructions by **5.00 p.m. on 17 September 2020** in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf **no later than the Proxy Deadlines**.
11. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.
12. The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing the Chairman of the AGM as proxy.
13. In the case of a member of the Company whose shares are entered against his/her name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged if such member is not shown to have shares entered against his/her name in the Depository Register at least 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

Submission of questions prior to the AGM

14. Members may submit questions related to the resolutions to be tabled at the AGM in the following manner:
 - a) if submitted electronically, to email to contact@hcsurgicalspecialists.com; or
 - b) if submitted in hard copy, by post to the Company's office at 233 River Valley Road, #B1-04/05 RV Point, Singapore 238291,

in either case, by **5.00 p.m. on 25 September 2020**.

NOTICE OF ANNUAL GENERAL MEETING

15. The Board of Directors of the Company will endeavour to address all substantial and relevant questions received from members prior to the AGM by publishing the responses to those questions on SGXNET at the URL <https://www.sgx.com/securities/company-announcements> and the Company's website at the URL <http://www.hcsurgicalspecialists.com/en/investor-relation/news>. Where substantial and relevant questions submitted by members are unable to be addressed prior to the AGM, the Company will address them during the AGM through the live audio-visual webcast and live audio-only feed.
16. The Company shall only address relevant and substantial questions (as may be determined by the Company in its sole discretion) received. The Company will publish the minutes of the AGM on SGXNET and the Company's website within one month after the date of the AGM.

Important Reminder:

In view of the constantly evolving COVID-19 situation, the Company may be required to change its AGM arrangements at short notice. Members are advised to regularly check the Company's website or announcements released on SGXNET for the latest updates on the status of the AGM. Members are also strongly encouraged to submit completed Proxy Forms electronically via email.

Personal data privacy:

By (a) submitting an instrument appointing the Chairman of the AGM as a proxy to vote at the AGM and/or any adjournment thereof, or (b) completing the Pre-registration in accordance with this Notice of AGM, or (c) submitting any question prior to the AGM in accordance with this Notice of AGM, 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 or service providers) for the purposes of processing and administration by the Company (or its agents or service providers) of proxy forms appointing the Chairman of the AGM as a proxy for the AGM (including any adjournment thereof), processing of the Pre-registration for purposes of granting access to members (or their corporate representatives in the case of members which are legal entities) to the live audio-visual webcast or live audio-only feed of the AGM proceedings and providing them with any technical assistance where necessary, addressing relevant and substantial questions from members received before the AGM and if necessary, following up with the relevant members in relation to such questions, preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines and (ii) 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

Dr. Heah Sieu Min and Mr. Ooi Seng Soon are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 29 September 2020 (“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	Dr. Heah Sieu Min	Mr. Ooi Seng Soon
Date of Appointment	28 September 2016	28 September 2016
Date of last re-appointment (if applicable)	27 September 2018	26 September 2017
Age	56	71
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 Dr. Heah Sieu Min, is of the view that he has the requisite experiences and capabilities to assume the duties and responsibilities as the Executive Director and Chief Executive Officer of the Company.	The Board, having considered the recommendation of the Nominating Committee and assessed the qualifications and experiences of Mr. Ooi Seng Soon, is of the view that he has the requisite experiences and capabilities to assume the duties and responsibilities as the Independent Non-executive Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive Dr. Heah is responsible for the overall management, strategic planning and business development of the Group.	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	<ul style="list-style-type: none"> • Executive Director • Chief Executive Officer 	<ul style="list-style-type: none"> • Independent Non-executive Director • Chairman of the Audit Committee • Member of the Remuneration and Nominating Committee
Professional qualifications	Please refer to the Board of Directors section in the Company’s Annual Report 2020.	Please refer to the Board of Directors section in the Company’s Annual Report 2020.
Working experience and occupation(s) during the past 10 years	Please refer to the Board of Directors section in the Company’s Annual Report 2020.	Please refer to the Board of Directors section in the Company’s Annual Report 2020.
Shareholding interest in the listed issuer and its subsidiaries	63,988,980 ordinary shares	Nil
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

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	Dr. Heah Sieu Min	Mr. Ooi Seng Soon
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)	Past Directorships: <ul style="list-style-type: none"> • Heah Holdings Pte Ltd • Heah Hospital Services Pte Ltd • Heah and Chia Surgical Associates Pte Ltd • Heah Sieu Min (Paragon) Pte Ltd • Novena Surgery Pte Ltd • SHL Group Pte Ltd • Heah SM Enterprise Pte Ltd • HMC Medical Pte Ltd • CTK Tan Surgery Pte Ltd • Nex Healthcare Pte Ltd • CKH (Mt E) Pte Ltd • Heah Sen Holdings Pte Ltd Present Directorships: <ul style="list-style-type: none"> • Heah Sieu Min (Mt E) Pte Ltd • Heah Sieu Min (Bukit Batok) Pte Ltd • CKH (Mt A) Pte Ltd • CKH (Farrer Park) Pte Ltd • Hougang Clinic Pte Ltd • Heah Sieu Min (Dleedon) Pte Ltd • HC (Hillford) Pte Ltd • HC (GM) Pte Ltd • Lai BEC Pte Ltd • Malcolm Lim Pte Ltd • Medical Services @ Tampines Pte Ltd • HSN Healthcare Pte Ltd • Julian Ong Endoscopy & Surgery Pte Ltd • Medical L & C Services Pte Ltd • HC and Island Family Pte Ltd • Jason Lim Endoscopy and Surgery Pte Ltd • HC (Ming) Pte Ltd • Medistar Services Pte Ltd • HC (AMK) Pte Ltd • GMH Endoscopy & Surgery Pte Ltd • Chee & Heah Surgical Associates Pte Ltd • CH Hillford Investments Pte Ltd • CH Investment Holdings Pte Ltd 	Past Directorships: <ul style="list-style-type: none"> • NH Ceramics Limited (now known as Blackgold Natural Resources Limited) • BRC Asia Limited
Present		

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	Dr. Heah Sieu Min	Mr. Ooi Seng Soon
	<ul style="list-style-type: none"> • HC3 Pte Ltd • Heah Hillford Holdings Pte Ltd • Heah Sieu Min (Equity) Pte Ltd • Heah Sieu Min (RVP) Pte Ltd • Heah Sieu Min (Novena) Pte Ltd • Heah SM Investments Pte Ltd • HSM City Gate Pte Ltd • King Heah Pte Ltd • PLS Holdings Pte Ltd • G 7 Investment Holdings Pte Ltd • Medico Republic (S) Pte Ltd 	
<p>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.</p>		
(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	Dr. Heah Sieu Min	Mr. Ooi Seng Soon
(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

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	Dr. Heah Sieu Min	Mr. Ooi Seng Soon
(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
(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

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	Dr. Heah Sieu Min	Mr. Ooi Seng Soon
<p>(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?</p>	<p>Dr. Heah was previously being notified by the Singapore Medical Association ("SMA") and/or Singapore Medical Council ("SMC") of the following complaints:-</p> <p>(i) by a patient for erroneous billing in December 2012, whereby the error had since been rectified prior to such notification and the complaint was subsequently dismissed by the SMC;</p> <p>(ii) by another specialist doctor for not making inquiries with him personally prior to taking over the case of a patient in January 2010, whereby Dr. Heah cooperated with the SMC during their inquiry and the complaint had since been dismissed; and</p> <p>(iii) in November 2015, by a patient who alleged that Dr. Heah had misdiagnosed her condition, whereby Dr. Heah maintains that his diagnosis had been correct and that, inter alia, the patient had not purchased the medicine he prescribed to her following his diagnosis and had consumed other medication of unverified origin. The SMA had since responded to the complainant and there had been no further action.</p>	<p>No</p>

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	Dr. Heah Sieu Min	Mr. Ooi Seng Soon
Disclosure applicable to the appointment of Director only.		
<p>Any prior experience as a director of an issuer listed on the Exchange?</p> <p>If yes, please provide details of prior experience.</p> <p>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.</p> <p>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).</p>	N.A.	N.A.

HC SURGICAL SPECIALISTS LIMITED

(the "Company")

(Incorporated in the Republic of Singapore)

(Company Registration No. 201533429G)

IMPORTANT:

1. The Annual General Meeting ("AGM") is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The Annual Report and Notice of AGM dated 7 September 2020 may be accessed at the Company's website <http://www.hcsurgicalspecialists.com/en/investor-relation/news> and on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via live audio-visual webcast or live audio-only feed), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Notice of AGM.
3. **A member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.**
4. For investors who have used their Central Provident Fund ("CPF")/Supplementary Retirement Scheme ("SRS") monies to buy shares in the capital of 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. CPF/SRS Investors are requested to contact their respective Agent Banks to specify their voting instructions and to submit their votes by 5.00 p.m. on 17 September 2020.
5. By submitting this proxy form, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM.
6. **Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman of the AGM as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.**

PROXY FORM ANNUAL GENERAL MEETING

This Proxy form has been made available on SGXNET and the Company's website and may be accessed at the URLs: <https://www.sgx.com/securities/company-announcements> and <http://www.hcsurgicalspecialists.com/en/investor-relation/news>.

*I/We, _____ (Name) _____ (NRIC / Passport Number)
of _____ (Address)

being a *member/members of **HC Surgical Specialists Limited** (the "**Company**"), hereby appoint the **Chairman of the AGM**, as *my/our proxy to attend and to vote for *me/us on *my/our behalf at the AGM of the Company to be held by way of electronic means (via live audio-visual webcast or live audio-only feed) on Tuesday, 29 September 2020 at 2.00 p.m. and at any adjournment thereof. *I/We direct the Chairman of the AGM as *my/our proxy to vote for or against or abstain from voting on the resolutions proposed at the AGM as indicated hereunder.

No.	Ordinary Resolutions	For*	Against*	Abstain*
1.	Re-election of Dr. Heah Sieu Min as Director			
2.	Re-election of Mr. Ooi Seng Soon as Director			
3.	Directors' Fees of S\$100,000/- for the financial year ended 31 May 2020			
4.	Declaration of final dividend (tax-exempt one-tier) of S\$0.007 per ordinary share for the financial year ended 31 May 2020			
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" or "Abstain", please tick (✓) within the box provided. Alternatively, please indicate the number of votes in the box appropriately. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.**

Dated this _____ day of _____, 2020

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. A member will not be able to attend the AGM in person. A member (whether individual or corporate) must submit his/her/its proxy form appointing the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.
2. The duly executed Proxy Form can be submitted to the Company in the following manner:
 - a) if submitted in hard copy by post, be lodged at the office of the Company's Share Registrar at 80 Robinson Road, #02-00, Singapore 068898; or
 - b) if submitted electronically, by sending a scanned PDF copy via email to sg.is.proxy@sg.tricorglobal.com.

in either case, by **2.00 p.m.** on **26 September 2020** (being at least 72 hours before the time appointed for the AGM) (the "**Proxy Deadlines**").

A member who wishes to submit a Proxy Form must download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation which may make it difficult for members to submit completed Proxy Forms by post, members are strongly encouraged to submit completed Proxy Forms electronically via email to sg.is.proxy@sg.tricorglobal.com.

3. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.
4. 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) 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.
5. The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy 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 the Chairman of the AGM as proxy. In addition, in the case of a member of the Company whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged if such member is not shown to have shares entered against his/her name in the Depository Register at least 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.
6. Investors who hold their Shares through relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 (including CPF investors, SRS investors and holders under depository agents) and who wish to exercise their votes by appointing the Chairman of the AGM as proxy should approach their respective relevant intermediaries (including their respective CPF agent banks, SRS approved banks or depository agents) to submit their voting instructions by **5.00 p.m. on 17 September 2020** in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf **no later than the Proxy Deadlines**.

PERSONAL DATA PRIVACY:

By attending the AGM and/or any adjournment thereof or 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 7 September 2020.



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