



HC Surgical Specialists Limited



# Early Detection, Early Cure

ANNUAL REPORT 2018

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

*This annual report has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. (the “**Sponsor**”), for compliance with the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this annual report.*

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

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# 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.

" To **expand our presence** into the heartland areas of Singapore as well as to **develop and grow** the range of medical services we provide."

<sup>1</sup> Source: *The Business Times* dated 19 February 2018.

<sup>2</sup> Source: *Today Online* dated 9 December 2017.

<sup>3</sup> Source: *Today Online* dated 1 July 2015.

<sup>4</sup> Source: *Population In Brief* 2017.

## DEAR SHAREHOLDERS,

On behalf of the Directors and Management of HC Surgical Specialists Limited ("HCSS"), I am delighted to submit the Annual Report for HCSS for the financial year ended 31 May 2018 ("FY2018").

FY2018 finished on a positive growth outlook for some of Singapore's key economies, despite increased uncertainties and downside risks in the global economy, especially between the USA and the rest of the world. In spite of these external influences, Singapore has managed to maintain its positive economic outlook, and has increased its expenditure in healthcare to S\$10.2 billion<sup>1</sup>.

## EXPANDING OUR FOOTPRINTS

Singapore's population is expected to reach 6.34 million in 2030, according to projections from the United Nations ("UN"); of which 1.8 million will be aged 65 years old or older, making up 28% of the total population<sup>2</sup>. The number of citizens aged 65 and above is increasing rapidly. The size of this group of citizens doubled from 220,000 in 2000 to 440,000 in 2015 and is expected to increase to 900,000 by 2030<sup>3</sup>. The median age of Singaporeans has also increased to 41.3 years old in 2017<sup>4</sup>.

As a developing medical services group committed to bringing specialists healthcare to your doorstep, we are constantly in pursuit of opportunities to amplify and better our services





to our patients. We necessitate to see to it that we are well-equipped with the necessary health maintenance facilities to meet the demands of our ever-growing nation.

To expand our presence into the heartland areas of Singapore as well as to develop and grow the range of medical services we provide, HCSS announced a few acquisitions/collaboration in FY2018: MediNex Pte. Ltd. ("MediNex") and Nex Healthcare Pte. Ltd. ("Nex"), both management and service providers in the medical clinics industry, provides medical support services such as training, setting up medical clinics, demographic survey, data analytics, medical IT advice, pharmaceutical business, accounting and taxation services; Medical L & C Services Pte. Ltd., a company which provides chronic home care and palliative care; and collaboration with Island Medical Holdings Pte. Ltd., a General Practitioner group with 6 clinics across Singapore. These will also help to create a conducive platform of patient referrals for our specialists.

#### **FINDING STABILITY IN UNPREDICTABILITIES**

As the Group expands, our business and operational susceptibility is influenced by worldly uncertainties and disruptions. We will continue to work towards reducing those risks by focusing on the provision of quality health care by continuing to amass more doctors, specialists and medical clinics under our wing, concentrating mainly towards the

domestic market which can supply a reliable stream of patients. Our newly acquired stakes in MediNex and Nex will render supporting services to clinics, allowing medical practitioners to focus on expanding quality healthcare to their patients, thereby being able to fully walk the talk by placing "Service above self".

#### **APPRECIATION**

Moving forward, the Group will continue to pursue opportunities to persevere up with evolving markets, optimizing our corporate strategy of creating long-term value for our shareholders. "He profits most who serves best" falls best in line with the Group's core business motto of providing quality healthcare. Thus, it is quintessential that we endeavor to provide reliable and consistent service for our patients.

I would also like to take this opportunity to express my gratitude to our shareholders, patients and business partners for their continuous support and trust to HCSS. I would also wish to thank my fellow Directors for their valuable contribution and insights throughout the past years. The growth of the Group would not be attainable without the dedication and commitment from the staff and Management.

#### **MR. CHONG WENG HOE**

*Non-executive Chairman and Independent Director*



## DEAR SHAREHOLDERS,

FY2018 has been an unpredictable year of surprises, disruptions and challenges, albeit an overall positive economic outlook for most of the world's economies. Singapore, in particular, is forecast to have a steady economic growth despite the increased protectionism risks and trade friction. The present economy is at risk from inflation, protectionism and financial instability, which imbalance at any one time may potentially throw the entire economy off-balance.

### FINDING LIGHT WITHIN UNCERTAINTIES

Our domestic policies are always adapting to meet the demands of this unpredictable world. Hence, we necessitate to go towards controlling what we put up. In HCSS, we have adopted this principle by ensuring that the increasing need for quality healthcare is seen with adequate provision. Within the medical industry, medical tourism has been estimated to contribute a significant proportion of a private specialist's revenue. An over reliance on medical tourism by private medical practices however, may backfire as our neighbours are swiftly bridging in the gap with competitive pricing and the growing availability of quality health care.

On the other hand, the domestic market will provide a steady stream of patients largely contributed by an increasing number of people owning insurance protection coverage, heightened awareness to "screen" for early detection early

cure, and our sound government policies - The accessibility and convenience of Medisave, MediShield Life and Medifund.

### SAVING LIVES, REACHING OUT

To meet this demand and reach out to more patients, HCSS has set up 9 endoscopy centres: 2 at Mt Elizabeth Medical Centre and Farrer Park Hospital, 2 in shops at condominium residences (D'Leedon and Hillford), and 5 others located in the heartlands (Bukit Batok, Hougang, Tampines, Ghim Moh and Sengkang). These centres are strategically located to provide healthcare services to local and foreign patients. To add to the list, HCSS has also acquired 51% of Jason Lim Endoscopy and Surgery Pte. Ltd., increasing our number of specialists/endoscopists to a sum of 6. Dr. Jason Lim has commenced operations on 13 August 2018. On top of that, HCSS has also acquired 51% of HMC Medical Pte. Ltd. and established a collaboration with Island Family Clinic to set up an endoscopy centre at Anchorvale (Sengkang). These General Practitioners will increase our presence in the heartlands of Singapore.

### "FIRST DO NO HARM, CURE OFTEN, COMFORT ALWAYS"

As our core business is the provision of quality healthcare, it is vital that we consistently deliver safe, accurate and efficient service for our patients. The recent saga<sup>1</sup> against overcharging and over-servicing are constant reminders against such practices. As medical practitioners, we must

<sup>1</sup> Source: The Straits Times dated 20 March 2018



“ It is vital that we consistently deliver **safe, accurate and efficient service** for our patients.”

only use technological advancement for the benefit of our patients.

When patients are satisfied with their treatment, the staff will also be happy, benefiting shareholders ultimately, as reflected in our Financial Report. This could not have been accomplished without our committed team of specialists and nurses, supported by a lot of diligent administrative staff, including those under the umbrella of Nex Healthcare Pte. Ltd. and MediNex Pte. Ltd.

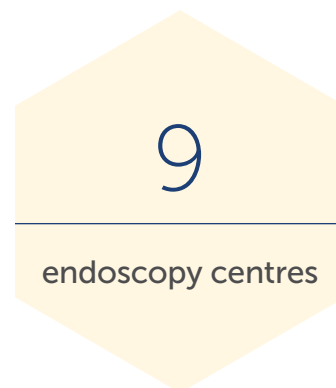
#### **MOVING FORWARD AND ACKNOWLEDGMENTS**

Facing forward, HCSS will continue to look for collaborative opportunities with other surgical specialists who will complement and contribute to our present medical team. At the same time, we will also continue to pursue for suitable partners to expand regionally.

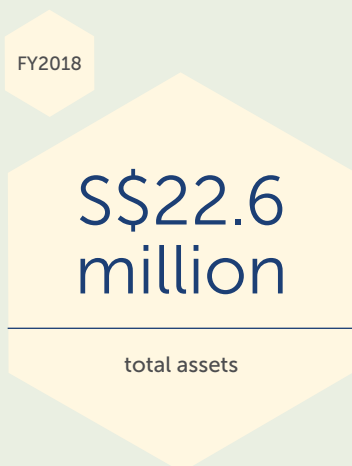
As always, I am most thankful for the unwavering support and advice from our Board of Directors, the unrelenting dedication of our staff, the confidence lay in us by our patients and not least the belief in HCSS by you, our shareholders.

#### **DR. HEAH SIEU MIN**

*Executive Director and Chief Executive Officer*



## “FY2018 revenue increased 69%”



Our FY2018 revenue increased 69% year-on-year to approximately S\$16.0 million, primarily due to increased revenue contributions from the following : (i) full twelve months contributions from the Group's subsidiaries acquired in FY2017 including CTK Tan Surgery Pte. Ltd. ("CTK"), LAI BEC Pte. Ltd. ("LBEC") and Julian Ong Endoscopy & Surgery Pte. Ltd. ("JOES"); (ii) new subsidiaries acquired in FY2018 which included Medical L & C Services Pte. Ltd. ("MLCS") and HMC Medical Pte. Ltd. ("HMC"); and (iii) new subsidiaries which commenced operations in FY2018, which included clinics at D'Leedon condominium, Ghim Moh Gardens and Hillford condominium; and (iv) the Group's existing subsidiaries.

Inventories and consumables used increased by S\$0.6 million or approximately 51% in FY2018 due to an increase in medication and consumables, in line with the increase in revenue.

Employee benefits expense increased by S\$2.3 million or approximately 70%, of which S\$1.4 million was attributable to increased headcount from new subsidiaries acquired or incorporated in the previous financial year and during the current financial year while the remaining S\$0.9 million increase was due to higher accrual of bonus and pay increment.

Depreciation and amortisation expenses increased by S\$0.2 million or approximately 82% for FY2018 due to

additions of plant and equipment for new subsidiaries acquired or incorporated in the previous financial year and during the current financial year.

Operating lease expenses increased by S\$0.1 million or approximately 13%, primarily due to the full year impact of new subsidiaries acquired or incorporated in the previous financial year and during the current financial year offset by rental rebates.

Other expenses decreased by S\$0.4 million or approximately 17%, mainly due to one-off IPO expenses of S\$1.3 million incurred in FY2017, and there were no such expenses in FY2018. This was partially offset by higher professional fees in relation to acquisitions made; loss arising from the deemed disposal relating to dilution in shareholding of an associate; higher locum fees, advertising and marketing fees, financial charges and administrative fees, audit fees and other operating expenses incurred which were in line with the new subsidiaries acquired or incorporated in the previous financial year and during the current financial year.

Finance costs of S\$38,000 in FY2018 were due to interest expense on short term loans for working capital purpose, drawn down during the current financial year; while the finance costs of S\$0.3 million in FY2017 were due to one-off interest expense on redeemable convertible loan, which was drawn down in October 2015, and converted to share capital in October 2016. Share of profits of an associate,



net of tax, amounting to S\$0.6 million (FY2017: NIL) in FY2018, was due to MediNex Pte. Ltd. ("MediNex") which was acquired during the current financial year.

As such, FY2018 profit before income tax surged to approximately S\$6.1 million and profit after income tax rose to approximately S\$5.5 million in FY2018. Excluding the IPO expenses, interest on redeemable convertible loan and fair value gain on derivative financial instruments, profit after income tax would have been S\$2.8 million in FY2017. The growth in profit after tax was mainly due to the rise in revenue and share of profits from associate.

## FINANCIAL POSITION

The Group is in a healthy financial position, with net assets attributable to shareholders of S\$16.7 million and a net cash balance, net of borrowings of approximately S\$2.7 million as at 31 May 2018.

Total assets increased from S\$15.6 million as at 31 May 2017 to S\$22.6 million as at 31 May 2018. Intangible assets increased by S\$1.7 million due to goodwill from the acquisitions of MLCS in June 2017 and HMC in January 2018. Investments in associates arose from the investment in MediNex of S\$5.4 million and the share of associate's profit in FY2018, partially offset by a loss arising from the deemed disposal of associate and dividend income.

Held-to-maturity financial assets comprising bonds increased by S\$2 million due to an investment in new quoted bonds made in FY2018. Available-for-sale financial assets of S\$1.0 million represent the investment

in HSN Healthcare Pte. Ltd. ("HSN"). The increase of S\$0.5 million in available-for-sale financial assets was due to quasi-capital contribution which was in line with the joint venture agreement previously announced on 3 January 2017. Trade and other receivables increased by S\$0.6 million, primarily due to increased trade receivables outstanding from patients in line with increased revenue; partial payment of purchase consideration for acquisition of Jason Lim Endoscopy and Surgery Pte. Ltd. ("JLES") and rental rebates receivable.

Cash and cash equivalents decreased by S\$3.8 million, mainly due to the acquisitions of MLCS, MediNex and HMC of S\$5.5 million, investment in held-to-maturity financial assets; partial payment for acquisition of JLES; share buybacks; dividends paid to owners of the parent; dividends paid to non-controlling interests; partially offset by net increase in bank borrowings of S\$2.3 million and operating receipts.

Trade and other payables increased by S\$1.3 million due to increase in trade payables in line with increased revenue; and higher accrual of expenses such as Central Provident Fund contributions, bonus and audit fee incurred by existing as well as new subsidiaries acquired or incorporated in the previous financial year and during the current financial year.

Bank borrowings which amounted to S\$2.3 million as at 31 May 2018 comprised mostly short-term loans for working capital purpose which were drawn down during FY2018.

## CASH FLOW

The Group recorded an increase in net cash generated from operating activities of S\$6.1 million in FY2018 compared to

S\$1.3 million in FY2017, due to higher operating receipts.

For FY2018, net cash used in investing activities amount to S\$8.4 million pertained to the investment in MediNex of S\$4.2 million and held-to-maturity financial assets of S\$2.0 million; acquisitions of MLCS and HMC; increased investment in available-for-sale financial assets; purchase of plant and equipment, partially offset by interest income received. For FY2017, net cash used in investing activities amount to S\$3.7 million related to the acquisitions of LBEC, CTK and JOES of S\$2.2 million, purchase of plant and equipment of S\$1.1 million and investment in available-for-sale financial assets.

For FY2018, net cash used in financing activities amount to S\$1.5 million related to the payment of interim dividends for FY2018 of S\$1.6 million and payment of interim dividends to non-controlling interests; final dividends for FY2017; interest paid; purchase of share buybacks; partially offset by net increase in bank borrowings of S\$2.3 million mainly for working capital purpose. For FY2017, net cash from financing activities amounted to S\$5.4 million, arose mainly from the gross IPO proceeds received of S\$8.1 million, offset by dividends paid of S\$2.6 million and share issue expense.

Overall, the Group recorded a net decrease in cash and cash equivalents of S\$3.8 million in FY2018, due to acquisitions of new subsidiaries, associate and investments; and payments of dividends; which was partially offset by higher operating receipts and bank borrowings.

# Financial Highlights

FY2018 is the first financial year where HC Surgical Specialists Limited ("HCSS") had enjoyed a full 12 months contribution from the acquisitions which it had made since the date of its initial public offering ("IPO") on 3 November 2016. We are pleased to report that HCSS had for FY2018 registered record profits since its incorporation on 1 September 2015 and elaborate on our progress made since our incorporation, and our business strategies going forward.

## BUSINESS STRATEGIES

**Expand our business operations locally and regionally**

## MILESTONES SINCE IPO

**Added 4 more specialists since FY2016**

**FY2016:** 2 specialists (Dr. Heah and Dr. Chia)

**FY2017:** Added Dr. Charles Tan, Dr. Lai Jiunn Heng and Dr. Julian Ong, which brings the total number of specialists to 5

**Post-FY2018:** Added Dr. Jason Lim, which brings the total number of specialists to 6

**Grow our group's patient base**

**Expanded our specialists support platform to include GPs and operational support for clinics and specialists**

**FY2017:** Set up 51% owned ACMS Medical Clinic (General Practitioner ("GP") clinic)

**FY2018:**

- Acquired initial 49% and 40% stakes in MediNex Pte. Ltd. ("MediNex") and Nex Healthcare Pte. Ltd. ("Nex") respectively to provide medical support services (eg. training, setting up of clinics, demographic survey, data analytic, medical IT advice, pharmaceutical business, accounting and taxation services) to clinics.
- Acquired 51% stakes in Medical L & C Services Pte. Ltd. ("MLCS") and HMC Medical Pte. Ltd. ("HMC") (GPs)
- Set up HC and Island Family Pte. Ltd. ("HCIF") (Endoscopy) with Island Medical Holdings Pte. Ltd.

**Expand our surgical facilities**

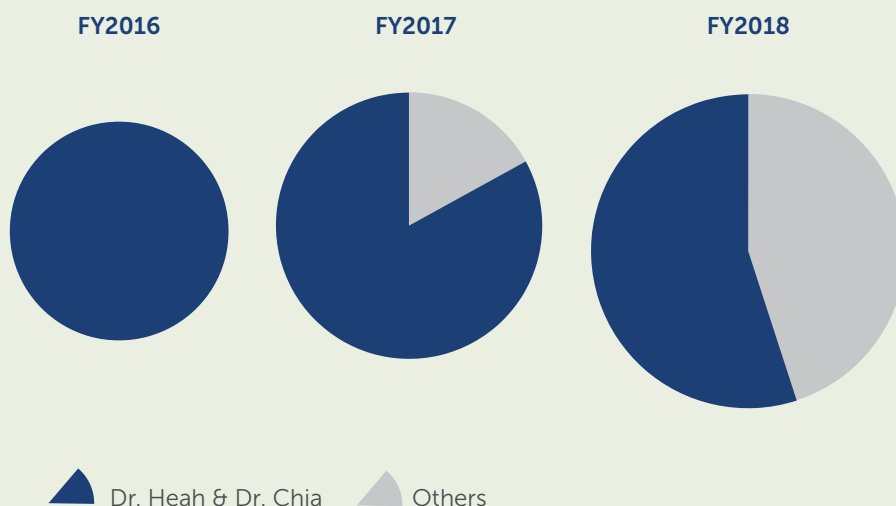
**Added 9 more clinics since FY2016**

**FY2016:** Total of 7 clinics

**FY2017:** Total of 13 clinics

**FY2018:** Total of 16 clinics

## REVENUE

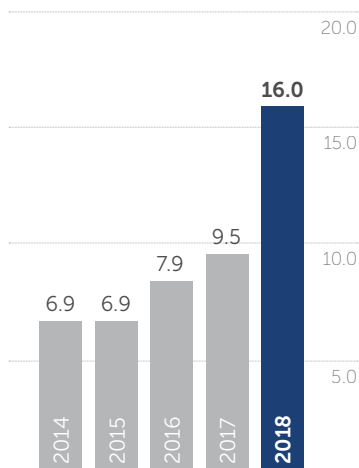


Our revenue and profit for FY2018 have grown since FY2016 and we have significantly reduced our dependence on our founders, Dr. Heah and Dr. Chia.

### Sales (S\$ million)

**S\$16.0m**

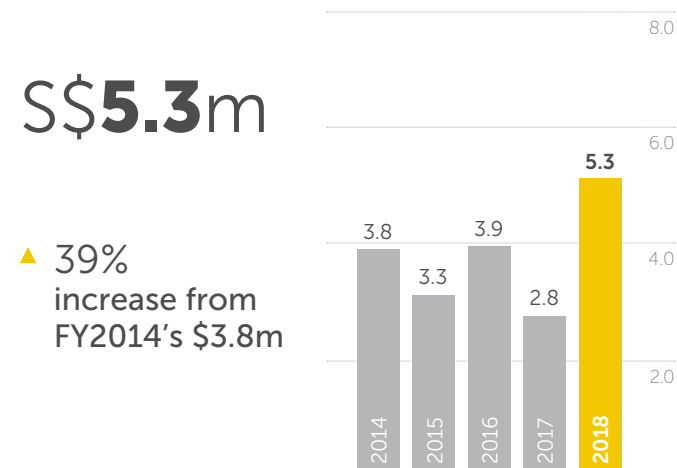
▲ 132% increase from FY2014's \$6.9m



### Operating Income\* (S\$ million)

**S\$5.3m**

▲ 39% increase from FY2014's \$3.8m

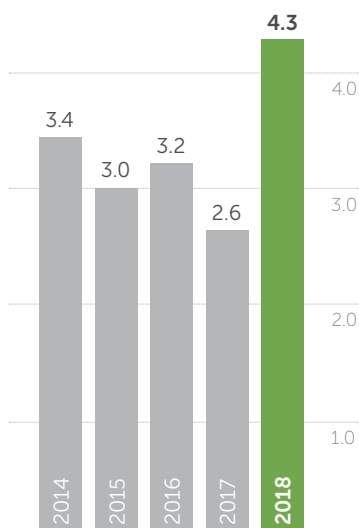


\*Profit before tax adjusted for non-recurring items (Eg. IPO expense, convertible loan interest expense), share of results of associates, other income and finance costs

### Adjusted Profit after Tax to Owners\* (S\$ million)

**S\$4.3m**

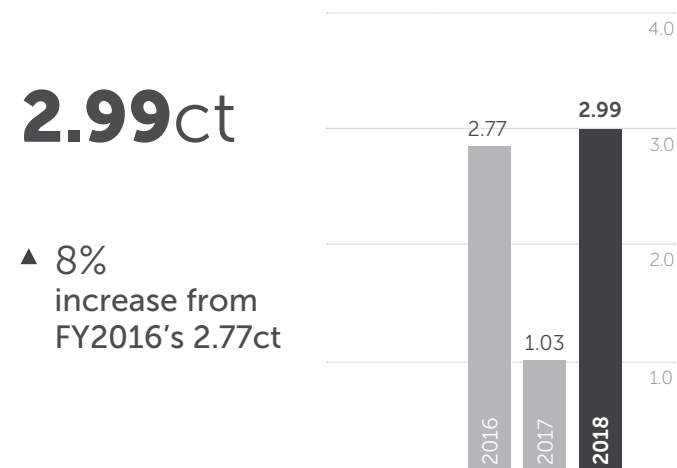
▲ 26% increase from FY2014's \$3.4m



### Earnings per Share (S\$ cents)

**2.99ct**

▲ 8% increase from FY2016's 2.77ct



\*Adjusted for non-recurring expenses (Eg. IPO expense, convertible loan interest expense)

# Our Services

Our Group is a medical services group primarily engaged in the provision of endoscopic procedures, including gastroscopies and colonoscopies, and general surgery services with a focus on colorectal procedures across a network of clinics located throughout Singapore.





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

Other conditions treated by our Group include:

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

# Our Services

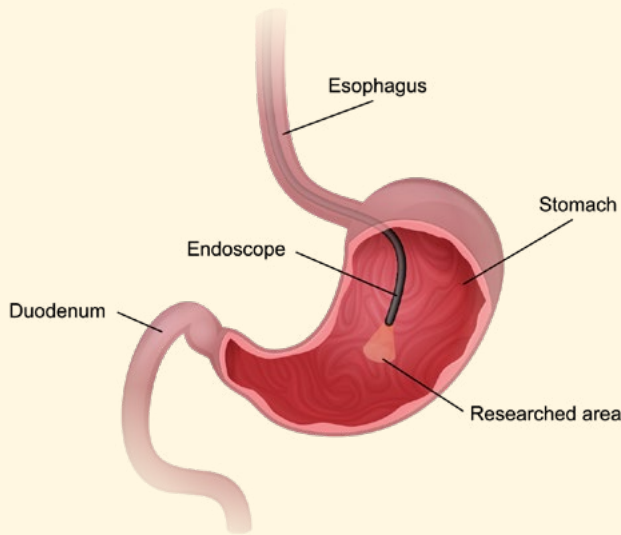
Information on some of the typical endoscopic procedures we perform, the conditions we treat and related treatments commonly carried out by us are set out as follows:

## Endoscopic Procedures

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

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

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

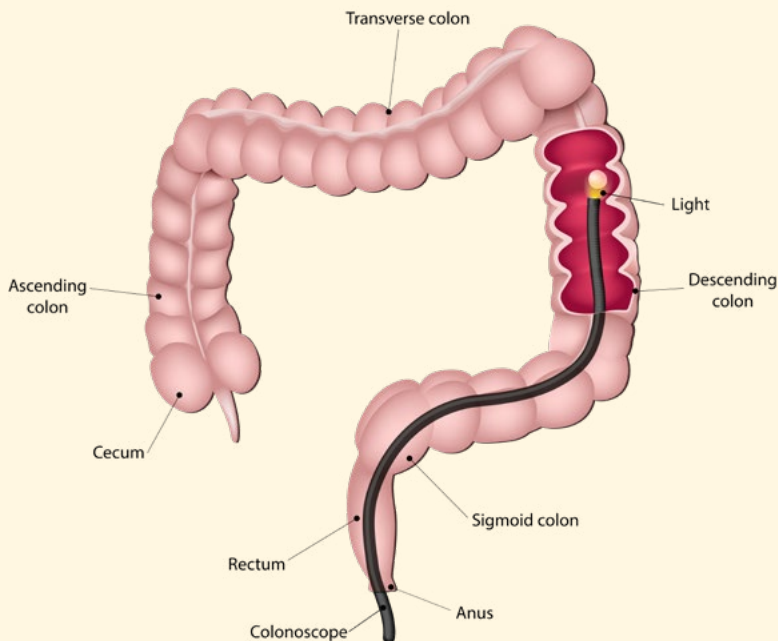


### GASTROSCOPY

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

It is often used to:

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



### COLONOSCOPY

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

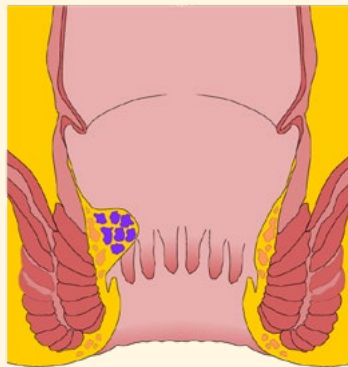
## Types Of Other Diseases

### HAEMORRHOIDS

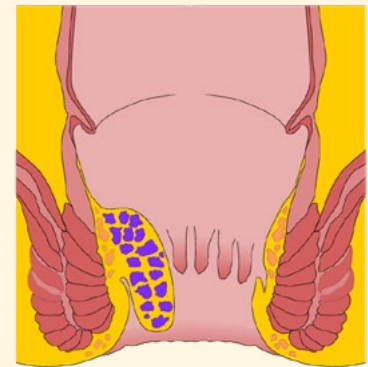
Haemorrhoids, commonly known as piles, are swelling or enlarged blood vessels found inside or around the rectum or anus. Symptoms typically include bleeding when passing motion and/or anal lump. Haemorrhoidectomy, Haemorrhoid Energy Therapy, and Ligation of Piles are some of the treatments done in our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

Piles can be classified into four stages:

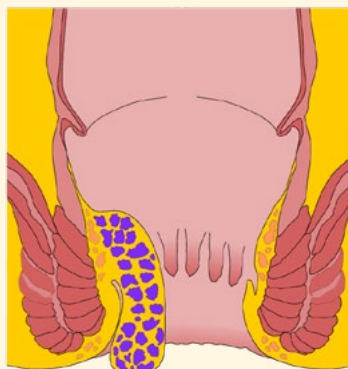
- **First degree:**  
Internal piles that bleed, but do not prolapse past the anus (or 'pop out').
- **Second degree:**  
Piles that prolapse past the anus during bowel movement but reduce spontaneously.
- **Third degree:**  
Piles that are prolapsed and must be manually reduced.
- **Fourth degree:**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



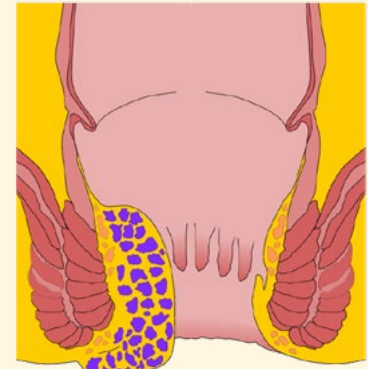
First degree



Second degree

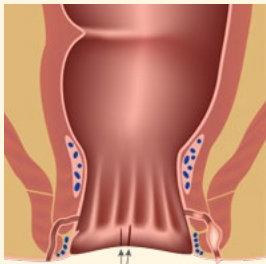


Third degree



Fourth degree

## Types Of Other Diseases



Anal Fissures

### **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**

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.

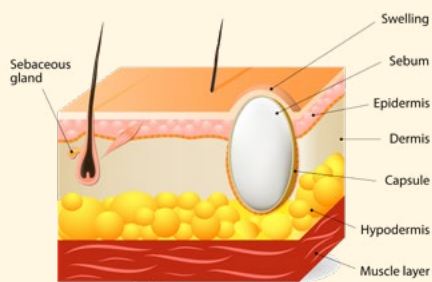


Anal Fistula

### **ANAL FISTULA**

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



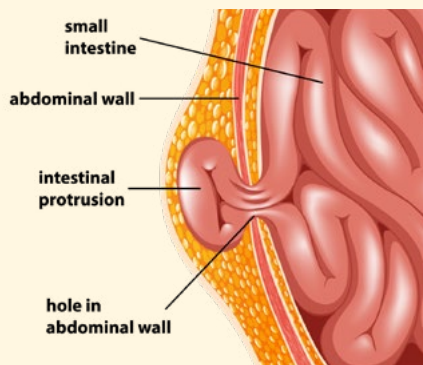


### LIPOMAS AND CYSTS

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

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

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



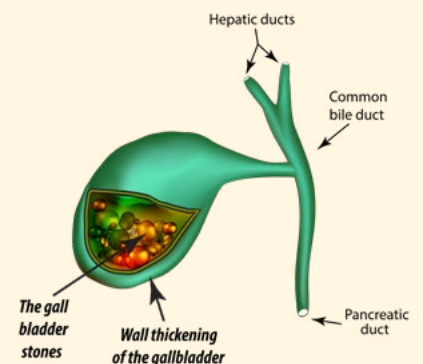
### HERNIA

A hernia is a gap or space in the strong tissue that holds muscle in place. It occurs when the inside layers of the abdominal muscle weaken, resulting in a bulge tear. The inner lining of the abdomen pushes through the weakened area of the abdominal wall to form a small sac.

Hernia can cause discomfort, severe pain or other potentially serious problems that could require emergency surgery.

There are currently 2 types of treatment for hernias:

1. **Open surgery** – where one cut is made to allow the surgeon to push the lump back into the abdomen.
2. **Laparoscopic (keyhole) surgery** – less invasive, but more difficult technique where several smaller cuts are made, to allow the surgeon to use various special instruments to repair the hernia.

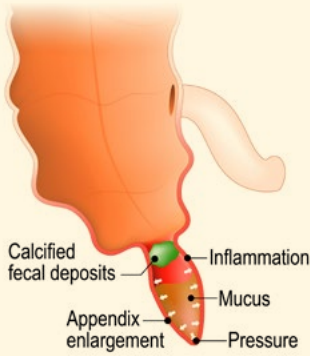


### CHOLECYSTITIS

Cholecystitis is the inflammation of the gallbladder, commonly caused by an obstruction of the cystic duct by gallstones arising from the gallbladder (cholelithiasis). The common symptoms are nausea, vomiting, right upper abdominal pain, and occasionally fever.

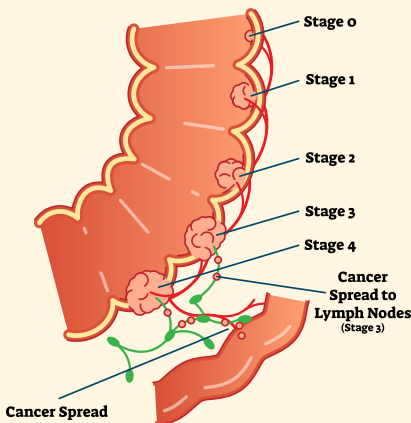
Cholecystitis can be diagnosed through ultrasound. The treatment for cholecystitis is Laparoscopic Cholecystectomy (making small incisions in the abdomen to remove the gallbladder).

## Types Of Other Diseases



### APPENDICITIS

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

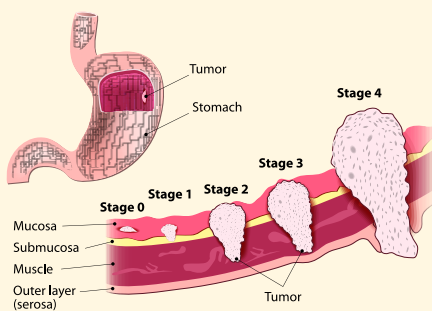


### COLORECTAL CANCER

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

The common symptoms of colorectal cancer are:

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



### GASTRIC CANCER

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

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

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

## Other Services



### HOME CARE SERVICES

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

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



### OTHER ANCILLARY SERVICES

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



### MANAGEMENT AND SERVICE PROVIDER

Our associated company, MediNex Pte. Ltd. provides medical support services to many healthcare providers such as:

- Setting up medical clinics
- Training nurses and administrative staff to smoothly integrate with back-end financial system and operations
- Providing demographic survey, data analytics, medical IT advice
- Pharmaceutical business
- Providing a full suite of accounting, taxation, secretarial services and advisory for both medical and non-medical corporate clients.

# Endoscopy Centres

HC Surgical Specialists has seven Endoscopy centres island-wide with seven 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 communications hub like MRT, bus interchanges.



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

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



# Board of Directors



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

## 1 MR. CHONG WENG HOE

Non-executive Chairman and Independent Director

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

Mr. Chong graduated from NUS with a Bachelor of Engineering (Electrical) in June 1989 and obtained a Masters of

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

## 2 DR. HEAH SIEU MIN

Executive Director and Chief Executive Officer

Dr. Heah Sieu Min was appointed as our Executive Director and Chief Executive Officer on 1 September 2015 and was re-elected on 28 September 2016. Dr. Heah Sieu Min is responsible for the

overall management, strategic planning and business development of our Group. Dr. Heah started his career as a houseman in Ireland, before returning to Singapore where he served as a Medical Officer in Tan Tock Seng Hospital from 1992 to 1994. After moving to Singapore General Hospital in 1994, he held various positions including Registrar of the Department of Colorectal Surgery, Associate Consultant of the Department of Colorectal Surgery and Consultant of the Department of Colorectal Surgery until 2004. He then spent approximately three 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

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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 three 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 2008-2013. In 2012, he was awarded The Commendation Medal (National Day awards). In 2017, he became a Spirit of Enterprise honouree.

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### **DR. CHIA KOK HOONG**

*Executive Director and Medical Director*

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

Dr. Chia graduated from NUS with a Bachelor of Medicine, Bachelor of Surgery in 1986. He is an accredited specialist in general surgery and an

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

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

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4

### **MR. LIM CHYE LAI, GJAN**

*Non-Independent  
Non-executive Director*

Mr. Lim Chye Lai, Gjan was appointed as our Non-Independent Non-executive Director on 28 September 2016 and was re-elected on 26 September 2017. Mr. Lim has worked in the medical equipment industry for over 17 years. He started his career at Schmidt BioMedTech Pte Ltd in 2000 as a Sale Engineer before moving on to Olympus Medical Ltd in 2001, where he served as their Regional

Product Executive until 2005. In 2005, he joined Minimally Invasive Therapies Group, Medtronic, which is involved in the supply of minimally invasive therapies, and is currently the Business Unit Director of Singapore and Malaysia. 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.

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### **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 25 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, 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 2009-2018, 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, and oversees the accounting and financial matters of our Group. Ms. Ong started her career as an Audit Assistant at a local certified public accounting firm, Ng Yun & 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 17 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 11 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. Currently, she is also appointed as Chief Nursing Officer. Ms. Cai previously worked at SGH, Tan Tock Seng Hospital and Novena Surgery from 2003 to 2008 where she assisted with surgical cases before joining Heah Endoscopy & Piles Centre (Bukit Batok) as a clinic nurse in 2008. She is a registered nurse with the Singapore Nursing Board with over a decade of experience in the field of surgical medicine. Ms. Cai graduated from the Institute of Technical Education in June 2003 with a Certificate in Nursing, and Nanyang Polytechnic in May 2007 with a Diploma in Nursing. She was the recipient of the Singapore General Hospital Service Quality Award in August 2003.



# Medical Team

## **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 Heah Colorectal Endoscopy & Piles Centre in 2007 and Heah Endoscopy and Piles Centre (Bukit Batok) in 2010.

## **DR. CHIA KOK HOONG**

*MBBS (Singapore),  
FRCSEd (General Surgery),  
FAMs General Surgeon*



Dr. Chia graduated from the National University of Singapore in 1986 with a Bachelor's degree in Medicine and Surgery. He obtained his FRCSEd in 1991, and in 1998, he was accredited as a specialist in General Surgery by the Ministry of Health. Dr. Chia had subspecialty training in vascular surgery and renal transplant surgery. He obtained his FAMS in 2000. After spending 23 years in the public healthcare sector, Dr. Chia established his private practice in 2009. Dr. Chia had served as a member of professional committees such as the Ministry of Health Specialist Training Committee for General Surgery and is currently an elected member of the Singapore Medical Council.

## **DR. CHARLES TAN**

*MBBCh, FRCSEd (General Surgery),  
FAMS General Surgeon*



Dr. Tan graduated from Leicester University in 1995 with a Bachelor's degree in Medicine and Surgery. After completing his general surgery training at the National University Hospital, he went on to complete his subspecialty training in endocrine surgery and endoscopic hernia repairs in 2007 at the Royal North Shore Hospital in Sydney, New South Wales. Dr. Tan's area of interest is in minimally invasive thyroid and hernia surgeries. Before establishing his own private practice at Mount Elizabeth Novena Specialist Centre in 2012, Dr. Tan served as the Head of Endocrine Surgery Division at NUH, where he pioneered the robotic axillary thyroid surgery programme. He is currently serving as the President of the Singapore Hernia Society. Dr. Tan joined our group in September 2016.

# Medical Team

## **DR. LAI JIUNN HERNG**

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



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

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

## **DR. JULIAN ONG**

*MBBs (Singapore), M.Med (Surgery),  
FRCSEd (General Surgery),  
FAMS (Surgery)*



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

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

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**DR. JASON LIM**

*MBBS (S'pore), MMed  
(Surgery), FRCSEd (General  
Surgery), FAMS*



Dr. Jason Lim graduated from the Faculty of Medicine, National University of Singapore in 2006 with a Bachelors of Medicine and 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 Masters 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 in 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.

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**DR. MALCOLM LIM**

*LRCP & SI, MB Bch, BAO (NUI)*



Dr. Lim graduated from the Royal College Surgeons in Ireland with a Licentiate of the Royal College of Physicians of Ireland & Royal College of Surgeons, 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 two 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.

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**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.

# Medical Team

## **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. CHEE HSING GARY ANDREW**

*MBBS (S'pore)*



Dr. Gary Chee graduated from The University of Nottingham with a Bachelor of Medical Sciences in 1989 and from NUS in 1992 with a Bachelor of Medicine and Bachelor of Surgery. He was a Family Medicine trainee from 1996-1998 and did various rotations in the Departments of Paediatrics, ENT, Psychiatry, Dermatology, General Medicine etc and Government Polyclinics and so is well-trained as a General Practitioner. He started Horizon Medical Centre with Dr. Lee Peng Khaw in 2000 and has special interests in visco-supplementation of the knee for osteoarthritis and intra-articular steroid injections for various conditions such as rotator cuff tendinitis and tennis elbow. He was the designated doctor for the TV series "The Amazing Race Asia" and "Asia's Next Top Model" and also appeared in Top Chef Season 7. Dr. Chee joined our Group in January 2018.

## **DR. LEE PENG KHOW**

*MBBS (S'pore), M.Med  
(Family Medicine)*



Dr. Lee Peng Khaw graduated from the National University of Singapore in 1992 with a degree in Bachelor of Medicine and Bachelor of Surgery. After graduation, he went through one year of housemanship, and worked as a medical officer for another year in various hospitals. Thereafter, he served as a medical officer in the Singapore Armed Forces (SAF) from 1994 to 1996. After leaving the SAF, Dr. Lee became a trainee in Family Medicine and obtained his Master of Medicine (Family Medicine) in 1999. He is hence familiar with managing patients across all age groups in a community setting. Subsequently, Dr. Lee worked in Ang Mo Kio Polyclinic for a year before setting up a joint private practice, Horizon Medical Centre, with Dr. Gary Chee in 2000. He was registered as a Family Physician in 2011 and has been working in the clinic as a Family Physician from 2000 to present. Dr. Lee joined our Group in January 2018.

# Nurses & Staff

**MELISSA JOSEPHINE SUSANTIO**

*Assistant Manager  
Operations and Marketing  
HC Surgical Specialists Limited*



**CARMEN CHUA**

*Senior Clinic Executive  
Endoscopy, Veins & Piles Centre*



**RUDIANA MUHD RUDY**

*Nurse Mentor  
Heah Colorectal  
Endoscopy & Piles Centre  
HC Surgical Specialists Limited*



**LEE HUI THENG**

*Clinic In-Charge  
Heah Endoscopy &  
Piles Centre (Bukit Batok)*



**LEE PEI SHAN JASMINE**

*Clinic In-Charge  
Heah Colorectal  
Endoscopy & Piles Centre*



**YONG WEI YAN CASSANDRA**

*Clinic In-Charge  
The Endoscopy &  
Piles Centre (Hougang)*



**CARRIE OON TZE MING**

*Senior Clinic Executive  
Heah Colorectal Endoscopy  
& Piles Centre*



**HOR AI YING ARIEL**

*Clinic Manager  
HC Endoscopy & Piles Centre  
(Hillford and Ghim Moh)*



**TAN HUI MIN AUDREY**

*Clinic Manager  
Endoscopy, Veins & Piles Centre*



**KEK ZHEN LING CHARMAINE**

*Clinic Nurse  
The GP Endoscopy &  
Piles Centre DLeedon*



# Locations of Clinics



**Horizon Medical Centre**  
 200 Upper Thomson Road  
 #01-11 Thomson Imperial Court  
 Singapore 574424  
 Tel: +65 6250 2692



**HC Endoscopy & Piles Centre (GM)**  
 21 Ghim Moh Road  
 #01-141 Ghim Moh Gardens  
 Singapore 270021  
 Tel: +65 6265 4058



**The GP Endoscopy & Piles Centre (Dleedon)**  
 19 Leedon Heights  
 #01-62 D'Leedon Singapore 266227  
 Tel: +65 6463 5633



**Heah Endoscopy & Piles Centre (Bukit Batok)**  
 Blk 644 Bukit Batok Central  
 #01-70 Singapore 650644  
 Tel: +65 6665 1355



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



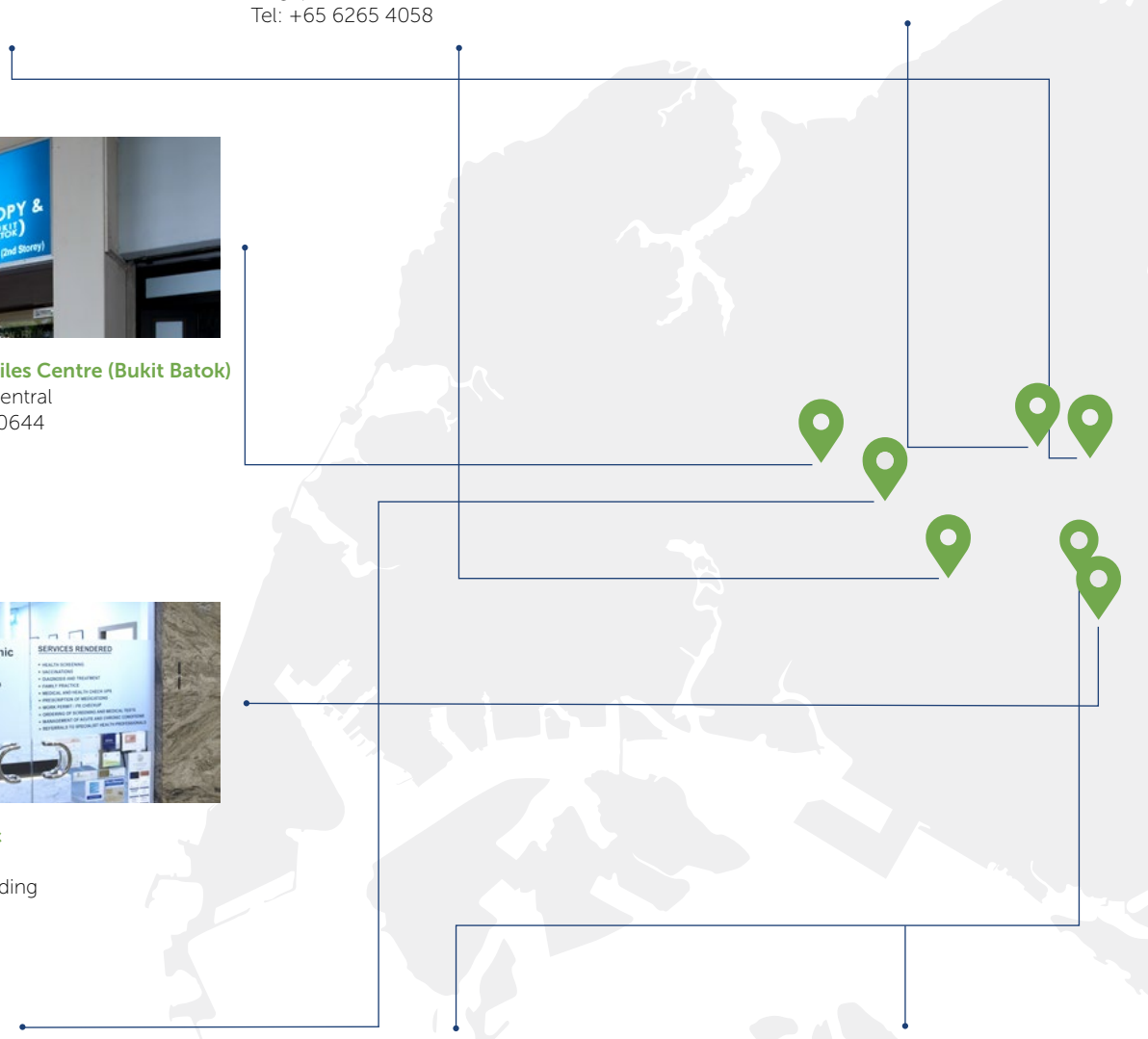
**HC Endoscopy & Piles Centre (Hillford)**  
 182 Jalan Jurong Kechil  
 #01-66 The Hillford  
 Singapore 596152  
 Tel: +65 6463 4506



**LAI Endoscopy & Colorectal Surgery**  
 3 Mount Elizabeth #05-06  
 Mount Elizabeth Medical Centre  
 Singapore 228510  
 Tel: +65 6737 0027



**Heah Colorectal Endoscopy & Piles Centre**  
 3 Mount Elizabeth #12-06  
 Mount Elizabeth Medical Centre  
 Singapore 228510  
 Tel: +65 6737 5335





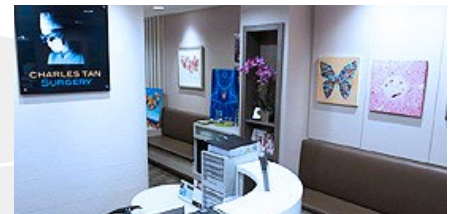
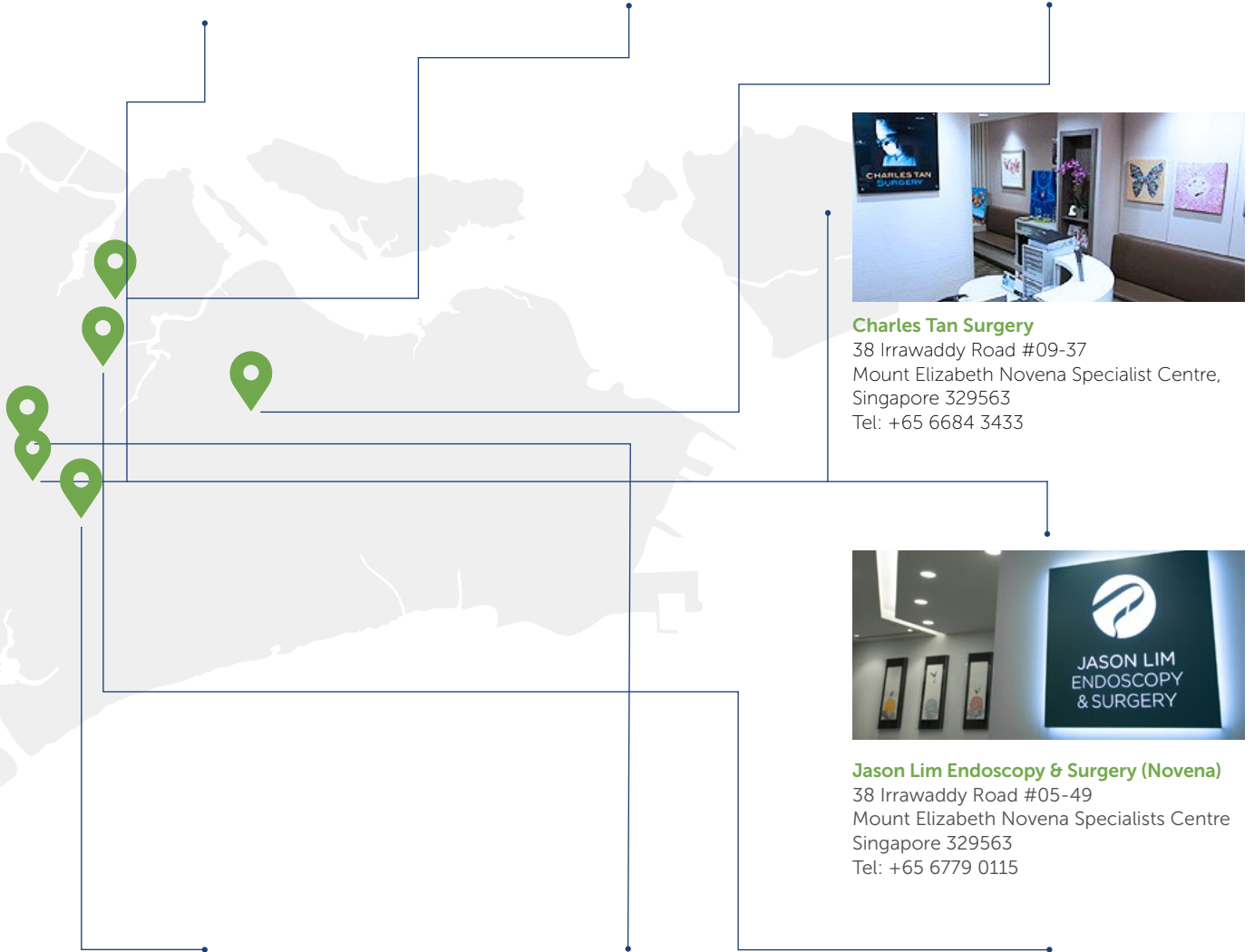
**Julian Ong Endoscopy & Surgery**  
 38 Irrawaddy Road #05-49  
 Mount Elizabeth Novena Specialist Centre  
 Singapore 329563  
 Tel: +65 6694 0449



**Island Family Clinic and Endoscopy Centre**  
 338 Anchorvale Crescent  
 #01-08 Singapore 540338  
 Tel: +65 6281 0174



**Tampines Endoscopy & Surgery Centre**  
 Blk 801 Tampines Avenue 4  
 #01-273 Singapore 520801  
 Tel: +65 6786 0080



**Charles Tan Surgery**  
 38 Irrawaddy Road #09-37  
 Mount Elizabeth Novena Specialist Centre,  
 Singapore 329563  
 Tel: +65 6684 3433



**Jason Lim Endoscopy & Surgery (Novena)**  
 38 Irrawaddy Road #05-49  
 Mount Elizabeth Novena Specialists Centre  
 Singapore 329563  
 Tel: +65 6779 0115



**Endoscopy, Veins & Piles Centre**  
 1 Farrer Park Station Road  
 #13-13 Connexion  
 Singapore 217562  
 Tel: +65 6443 6240



**HC Thyroid Hernia & General Surgery Centre**  
 820 Thomson Road #06-08  
 Mount Alvernia Medical Centre A  
 Singapore 574623  
 Tel: +65 6254 0284



**The Endoscopy & Piles Centre (Hougang)**  
 Blk 684 Hougang Avenue 8  
 #01-981 (2nd floor) Singapore 530684  
 Tel: +65 6686 6542

# Group Structure

## HC Surgical Specialists Limited







# 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

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## INVESTOR RELATIONS

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# Corporate Governance Report

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## INTRODUCTION

HC Surgical Specialists Limited ("HCSS" or the "Company") and its subsidiaries (the "Group") are committed to maintaining a high standard of corporate governance to protect shareholders' interests and enhance shareholders' value. The Group adopts practices based on the revised Code of Corporate Governance 2012 (the "Code") issued on 2 May 2012 and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "SGX-ST") in January 2015 (the "Guide"). This report describes the Group's corporate governance practices that were in place throughout the financial year ended 31 May 2018 ("FY2018"), with specific reference made to the principles and guidelines as set out in the Code and SGX-ST Listing Manual Section B: Rules of the Catalist (the "Catalist Rules") where applicable except where otherwise stated. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.

## BOARD MATTERS

### Principle 1: Board's Conduct of its Affairs

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

In addition, the principal duties of the Board include:

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

### Delegation of Authority on Certain Board Matters

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



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

## Meetings of the Board and Board Committees

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

The number of Board meetings and Board Committee meetings held in FY2018 and the attendance of Directors at these meetings are as follows:

	<b>Board</b>	<b>Audit Committee</b>	<b>Nominating Committee</b>	<b>Remuneration Committee</b>
Meetings held during FY2018	3	3	1	2

<b>Name of Director</b>	<b>Number of Meetings Attended</b>			
Mr. Chong Weng Hoe	3	3	1	2
Dr. Heah Sieu Min	3	3*	1*	2*
Dr. Chia Kok Hoong	2	2*	0*	1*
Mr. Lim Chye Lai, Gjan	2	2	1	2
Mr. Ooi Seng Soon	3	3	1	2

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

## Training of Directors

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

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

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

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

The table below shows the trainings and briefings attended by the Directors in FY2018:

Name of Director	Course	Training Provider	Frequency
Mr. Chong Weng Hoe	LCD 5 – Remuneration Committee Essentials	Singapore Institute of Directors	Once
Dr. Heah Sieu Min	LCD 5 – Remuneration Committee Essentials	Singapore Institute of Directors	Once
	IVAS-IVSC Business Valuation Conference 2017	Singapore Accountancy Commission	Once
	MCD 4: Leading from the Chair – What it takes to be Effective	Singapore Institute of Directors	Once
Dr. Chia Kok Hoong	IVAS-IVSC Business Valuation Conference 2017	Singapore Accountancy Commission	Once
Mr. Ooi Seng Soon	ACRA-SGX-SID Audit Committee Seminar 2018	Singapore Institute of Directors	Once
Mr. Lim Chye Lai, Gjan	MCD 1 - The Director as an Innovation Driver	Singapore Institute of Directors	Once

## Principle 2: Board Composition and Guidance

The Board has 5 members and comprises the following:

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

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



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

Each year, the NC will review the size and composition of the Board and Board Committees and the skills and core competencies of its members to ensure an appropriate balance of skills, experience and gender. This is done via questionnaires conducted among the Board members, on the skills, experience and core competencies, amongst others, that they deemed relevant to the Group. In identifying Director nominees, the Board's policy is to consider the relevant experience and industry knowledge, and core competencies that may be lacking in the Board, and yet is important for the Group in the long-term, regardless of gender. The Board considers that its Directors possess the necessary competencies and knowledge to lead and govern the Group effectively. Key information regarding the Directors is set out in pages 20 to 21 of the Annual Report.

No individual or group within the Board dominates or is able to dominate the discussion process and decision-making. The Non-executive Directors will meet and discuss on the Group's affairs without the presence of Management on an ad-hoc basis, and this was done in FY2018.

The NC will determine the independence of each Director based on the definition of independence set out in the Code. For FY2018, the NC has reviewed and has confirmed the independence of the Independent Directors in accordance with the Code. There were no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent. Presently, none of the Independent Directors has served for more than nine (9) years.

### **Principle 3: Chairman and Chief Executive Officer**

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

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

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

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

Pursuant to Guideline 3.4 of the Code, the Independent Directors have met without the presence of the other Directors in FY2018.

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## Principle 4: Board Membership

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

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

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

Mr. Chong Weng Hoe

Mr. Ooi Seng Soon

In cases where a Director has multiple Board representations, the NC also assesses whether such Director has been adequately carrying out his duties as a Director of the Company. To address competing time commitments when Directors serve on multiple Boards, the Board had set a maximum limit of six (6) directorships that a Director may hold concurrently for listed companies. Although some of the Directors have multiple Board representations, the NC has considered and is satisfied that each of them is able to and has adequately carried out his duties as a Director of the Company for FY2018, given the sufficient time and effort taken to discharge their duties in the best interests of the Group. The considerations in assessing the capacity of Directors include expected and/or competing time commitments of Directors, including whether such commitment is a full-time or part-time employment capacity, geographical location of Directors, size and composition of the Board.

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





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## Description of the Re-election Process of Incumbent Directors

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

The NC has assessed and is satisfied that Dr. Heah Sieu Min and Dr. Chia Kok Hoong have the appropriate skills and experience and have contributed sufficient time and guidance to the Board and Company. As such, the NC has recommended to the Board that Dr. Heah Sieu Min and Dr. Chia Kok Hoong who are due to retire in accordance with the Company's Constitution, be re-elected at the forthcoming AGM.

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

Dr. Chia Kok Hoong will, upon re-election as a Director of the Company, remain as the Executive Director and Medical Director.

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

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

## Description of the Selection and Nominating Process of New Directors

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

## Key Information Regarding Directors

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

### **Principle 5: Board Performance**

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

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The evaluation process of the overall performance of the Board was conducted without an external facilitator for FY2018.

The performance criteria set to evaluate the effectiveness of the Board as a whole, Board Committees and individual Directors includes (i) risk management; (ii) time spent on discussing the strategy of the Group; (iii) knowledge and abilities; and (iv) ability to manage corporate crisis, if any. The Board has met the performance objectives for FY2018.

## **Principle 6: Access to Information**

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

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

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

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

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

## **REMUNERATION MATTERS**

### **Principle 7: Policy for Developing Remuneration Policies**

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

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

- Review and recommend to the Board for endorsement, a framework of remuneration for the Board and key Management personnel. The framework covers all aspect of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options and benefits in kind;
- Review and recommend to the Board, the specific remuneration packages for each Director as well as for the key Management personnel; and
- Consult professional consultancy firms where necessary in determining remuneration packages.



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## **Principle 8: Level and Mix of Remuneration**

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

The Company adopts a remuneration policy for employees comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the performance of the Company and the individual. The remuneration policy is aligned with the interests of the shareholders and promotes long-term success of the Group. No remuneration consultants were engaged by the Company in FY2018.

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 ("Term"), 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. Upon the expiry of the Term, the employment may be renewed on such terms and conditions as may be agreed between the Company and each Executive Director. For further details, please refer to pages 138 to 139 of the Company's offer document ("Offer Document") dated 25 October 2016.

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

## **Principle 9: Disclosure on Remuneration**

### Remuneration of Directors and Key Management Personnel

Although the Code recommends full disclosure in aggregate to the nearest thousand dollars of the total remuneration paid to each individual Director and the CEO on a named basis, the Board, after reviewing the industry practice and analysing the advantages and disadvantages in relation to the disclosure of remuneration of each Director, is of the view that such disclosure would be 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 and the Company against comparable organisations. The total remuneration package of Executive Directors and key Management personnel comprises a fixed cash component, annual performance incentive and long-term incentive. The annual fixed cash component comprises the annual basic salary, statutory employer's contributions to the Central Provident Fund ("CPF") and other fixed allowances. The annual performance incentive is tied to the performance of the Group and respective key performance indicators allocated to the individual employee. To align the interests of the Directors and key Management personnel with the interests of shareholders, the Group has also adopted the HCSS Performance Share Plan ("HCSS PSP") and HCSS Employee Share Option Scheme ("HCSS ESOS") (collectively the "Share Plans"). The Executive Directors and key Management personnel had met their respective key performance indicators in respect of FY2018.

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## Directors' Remuneration

The breakdown of the remuneration of the Directors of the Company for FY2018 in bands of S\$250,000, is set out below:

<b>Directors</b>	<b>Fee %</b>	<b>Salary<sup>(1)</sup> %</b>	<b>Bonus<sup>(1)</sup> %</b>	<b>Other Benefits<sup>(2)</sup> %</b>	<b>Total %</b>
<b>S\$750,001 and S\$1,000,000</b>					
Dr. Heah Sieu Min	–	72.0	26.0	2.0	100.0
<b>S\$250,001 and S\$500,000</b>					
Dr. Chia Kok Hoong	–	74.0	23.0	3.0	100.0
<b>Below S\$250,000</b>					
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:**

<sup>(1)</sup> Salary and bonus include employer's contributions to CPF.

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

## Top 3 Key Management Personnel's Remuneration

The Company only has three (3) top key Management personnel. The breakdown of the remuneration of the top three (3) key Management personnel of the Company (who are not Directors or CEO) for FY2018 in bands of S\$250,000 is as follows:–

<b>Key Management Personnel</b>	<b>Fee %</b>	<b>Salary<sup>(1)</sup> %</b>	<b>Bonus<sup>(1)</sup> %</b>	<b>Other Benefits %</b>	<b>Total %</b>
<b>Below S\$250,000</b>					
Ms. Ong Soo Ling, Sophia	–	71.0	29.0	–	100.0
Ms. Ouyang Yuxia, Connie	–	58.0	42.0	–	100.0
Ms. Cai Ting Ting	–	54.0	46.0	–	100.0

### **Notes:**

<sup>(1)</sup> Salary and bonus include employer's contributions to CPF.



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The aggregate total remuneration for the top three (3) key Management personnel (who are not Directors or CEO) is approximately S\$581,000 for FY2018.

There were no employees who are immediate family members of a Director or the CEO, and whose remuneration exceeded S\$50,000 during FY2018.

The Company did not grant any termination, retirement and post-employment benefits to the Directors, the CEO and the rest of the key Management personnel during FY2018.

## Directors' Fees

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

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

In this regard, the Company will be seeking shareholders' approval at the AGM of the Company, for the payment of Directors' fees proposed for FY2018 amounting to S\$100,000.

## Share Plans

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

# Corporate Governance Report

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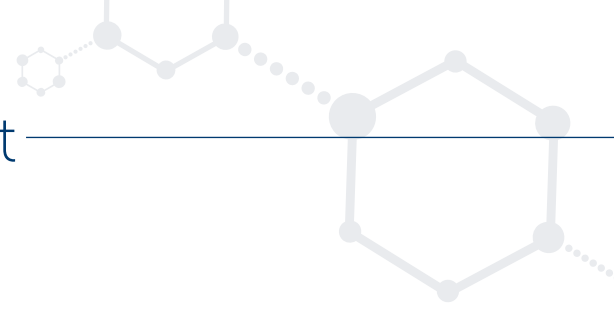
## HCSS PSP

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

There were no Awards granted under the HCSS PSP in FY2018. 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.



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## HCSS ESOS

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

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

There were no options granted under the HCSS ESOS since the adoption of the HCSS ESOS on 28 September 2016 to 31 May 2018. 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 2018

## ACCOUNTABILITY AND AUDIT

### Principle 10: Accountability

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

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

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

### Principle 11: Risk management and Internal Controls

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

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by Management, AC, and the Board, the Board with the concurrence of the AC and internal auditors, is of the opinion that the Group's internal controls addressing financial, operational and compliance risks, and information technology controls and risk management systems were adequate and effective as at 31 May 2018. This is in turn supported by assurance from the CEO and the Chief Financial Officer ("CFO") that for the past twelve (12) months, (i) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (ii) the Group's risk management and internal control systems are effective.

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

### Principle 12: Audit Committee

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

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





# Corporate Governance Report

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

- review the quarterly and full year results announcements and annual financial statements before submission to the Board of Directors for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant judgments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory or regulatory requirements;
- review the effectiveness and adequacy of the Group's internal controls and procedures, including accounting, financial controls and procedures and ensure coordination between the Group's internal and external auditors, and Management;
- review the assistance given by Management to the auditors, and discuss problems and concern, if any, arising from the audit, and any matters which the auditors may wish to discuss (in the absence of Management where necessary);
- review the scope and results of the external audit, and the independence and objectivity of the external auditors;
- review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response;
- make recommendation to the Board of Directors on the proposals to shareholders on the re-appointment of the external auditors, and approve the remuneration and terms of engagement of the external auditors;
- review significant financial reporting issues and judgments with the CFO and the external auditors so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board of Directors;
- review and report to the Board of Directors at least annually the adequacy and effectiveness of the Group's material internal controls with the CFO and the internal and external auditors, including financial, operation, compliance and information technology controls via reviews carried out by the internal auditors;
- review and approve transactions falling within the scope of Chapter 9 and Chapter 10 of Catalist Rules (if any);
- review any potential conflicts of interest;
- undertake other reviews and projects as may be requested by the Board and report to the Board of Directors the findings from time to time on matters arising and requiring the attention of the Audit Committee;
- review and establish procedures for receipt, retention and treatment of complaints received by the Group, *inter alia*, criminal offences involving the Group or the employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group; and
- generally to undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

Besides scheduled meetings, the internal and external auditors as well as the AC Chairman have direct and open access channels of communication. For FY2018, the AC has met once with the internal and external auditors in the absence of Management.

During the course of review of the financial statements for FY2018, the AC discussed with Management and the external auditors on the significant issues that were brought to AC's attention. The material issues which the external auditors assessed to be most significant in its audit of the financial statements for the year under review have been highlighted in the key audit matters section of Independent Auditor's Report.

# Corporate Governance Report

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

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

The AC reviews the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees awarded to them. The total fees paid in respect of audit and non-audit fees to the external auditors, Messrs BDO LLP for FY2018 are as stated below.

<b>External Auditors Fees for FY2018</b>	<b>S\$</b>	<b>% of total fees</b>
Total audit fees	178,000	100.0
Total non-audit fees	–	–
<b>Total fees paid</b>	<b>178,000</b>	<b>100.0</b>

There were no non-audit fees paid to the external auditors for FY2018.

The Company and the Group have complied with Catalist Rules 712 and Rule 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.

The AC also conducts reviews of all interested person transactions (“IPTs”) to ensure that all IPTs of the Company are properly documented. Accordingly, the AC is satisfied that all material IPTs for FY2018 which warrant disclosure or further discussion have been properly reviewed and announced, where applicable; and there are no improprieties in this area.

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

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

## **Principle 13: Internal Audit**

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

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

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



# Corporate Governance Report

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

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

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

The AC has reviewed the adequacy and effectiveness of the internal audit function and is satisfied that it is effective, adequately resourced and has appropriate standing within the Company in FY2018.

## SHAREHOLDER RIGHTS

### Principle 14: Shareholder Rights

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

## COMMUNICATION WITH SHAREHOLDERS

### Principle 15: Communication with Shareholders

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

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

The Company does not have a fixed dividend policy. However, the Directors intend to recommend and distribute dividends of not less than 70.0% of the Group's profit after tax to shareholders for FY2017, FY2018 and FY2019 as stated in the Offer Document. The Company may declare an annual dividend with the approval of the shareholders in a general meeting, but the amount of such dividend shall not exceed the amount recommended by the Board. The Board may also declare an interim dividend without the approval of the shareholders. For FY2018, the Company had paid an interim dividend of 1.1 Singapore cents per ordinary share and is recommending a final dividend of 1.0 Singapore cents per ordinary share to be approved by shareholders at the forthcoming Annual General Meeting. Subject to shareholders' approval of the final dividend, the aggregate amount of dividends recommended and/or distributed per ordinary share would be 2.1 Singapore cents for FY2018, representing approximately 70.2% of the Group's earnings per share of 2.99 Singapore cents for FY2018.

# Corporate Governance Report

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

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

## **Principle 16: Conduct of Shareholder Meetings**

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

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

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

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

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

## **DEALINGS IN SECURITIES**

Catalist Rule 1204(19)

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

## **MATERIAL CONTRACTS**

Save for those disclosed under the section "Interested Person Transactions", there were no material contracts entered into by the Company and its subsidiaries involving the interests of its CEO, Directors or controlling shareholders which are either still subsisting at the end of FY2018 or if not then subsisting, entered into since the end of the previous financial year.



# Corporate Governance Report

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 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 FY2018 are set out as follows:

<b>Name of Interested Person</b>	<b>Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)</b>	<b>Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than \$100,000)</b>
Heah Sieu Min (RVP) Pte. Ltd. <sup>(1)</sup>	S\$144,000	–

**Note:**

<sup>(1)</sup> Rental of the office space at 233 River Valley Road #B1-04/05 RV Point Singapore from Heah Sieu Min (RVP) Pte. Ltd. for a term of three years, which is 100.0% owned by Dr. Heah Sieu Min, the Executive Director and CEO of the Company.

## NON-SPONSOR FEES

For FY2018, the Company paid to its sponsor, PrimePartners Corporate Finance Pte. Ltd. non-sponsor fee of S\$6,000 (FY2017: S\$943,000 for acting as the issue manager, sponsor and placement agent pursuant to the Company’s IPO).

## SUSTAINABILITY REPORTING

Catalist Rule 711A, 711B

The Company is working towards the issuance of its sustainability report by 31 May 2019 and such report will be made available to shareholders on the SGXNET and the Company’s website in due course.

# Corporate Governance Report

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## USE OF PROCEEDS

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

Use of IPO net proceeds	Amount	Amount	Amount	Balance
	allocated	after	utilised	
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Expand business operations locally and regionally	2,800	4,800 <sup>(1)(2)</sup>	(4,460) <sup>(3)</sup>	340
Expand surgical facilities	1,200 <sup>(2)</sup>	400 <sup>(2)</sup>	(112) <sup>(4)</sup>	288
Working capital	2,180 <sup>(1)</sup>	980 <sup>(1)</sup>	(650) <sup>(5)</sup>	330
Total	6,180	6,180	(5,222)	958

### Notes:-

<sup>(1)</sup> S\$1.2 million of the IPO net proceeds initially allocated for the Group's working capital had been reallocated to expand the Group's business operations locally and regionally. Please refer to the Company's announcement on 1 June 2017 for further details.

<sup>(2)</sup> As the Company has no immediate and definite plans to use a significant portion of the IPO net proceeds to expand the Group's surgical facilities, S\$0.8 million of the IPO net proceeds initially allocated for the Group's expansion of surgical facilities had been reallocated to expand the Group's business operations locally and regionally, primarily for the proposed acquisition of 51% of the equity interest in Jason Lim Endoscopy and Surgery Pte. Ltd. ("JLES"). Please refer to the Company's announcement on 7 May 2018 for further details.

<sup>(3)</sup> Utilised for the following:-

- (a) investment in HSN Healthcare Pte. Ltd. – S\$800,000;
- (b) acquisition of Julian Ong Endoscopy & Surgery Pte. Ltd. – S\$1,569,100;
- (c) acquisition of Medical L & C Services Pte. Ltd. – S\$790,160;
- (d) acquisition of HMC Medical Pte. Ltd. – S\$673,000; and
- (e) acquisition of JLES – S\$628,000.

<sup>(4)</sup> Utilised for purchase of medical equipment and consumables for HC and Island Family Pte. Ltd..

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

The above utilisations are in accordance with the intended use as stated in the change of use and re-allocation of the proceeds from the IPO as stated in the announcements dated 1 June 2017 and 7 May 2018.



# Directors' Statement

AS AT 31 MAY 2018

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 2018 and the statement of financial position of the Company as at 31 May 2018.

## 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 2018, 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 objects are, or one of whose objects 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

AS AT 31 MAY 2018

## 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		Shareholdings in which Directors are deemed to have an interest	
	Balance at 1 June 2017	Balance at 31 May 2018	Balance at 1 June 2017	Balance at 31 May 2018
<b>The Company</b>	<b>Number of ordinary shares</b>			
Mr. Chong Weng Hoe	–	150,000	–	–
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 2018 in the shares of the Company have not changed from those disclosed as at 31 May 2018.

## 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.





# Directors' Statement

AS AT 31 MAY 2018

## 5. SHARE OPTIONS (CONTINUED)

### 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.

During the financial year ended 31 May 2017, 16,100 shares were granted to an employee pursuant to the HCSS PSP.

## 6. AUDIT COMMITTEE

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

- (i) assisting the Board of Directors in the discharge of its responsibilities on financial reporting matters;
- (ii) reviewing the audit plans, scope of work, evaluation of the system of internal accounting controls, management letter and management's response, and results complied by the Group's internal and external auditors;
- (iii) reviewing the quarterly and full year results announcements and annual financial statements before submission to the Board of Directors for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant judgements resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory or regulatory requirements;
- (iv) reviewing the effectiveness and adequacy of the Group's internal control and procedures, including accounting, financial controls and procedures and ensure coordination between the Group's internal and external auditors, and management; reviewing the assistance given by the management to the auditors, and discuss problems and concern, if any, arising from the audit, and any matters which the auditors may wish to discuss (in the absence of the management where necessary);
- (v) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;
- (vi) reviewing and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;
- (vii) making recommendation to the Board of Directors on the proposals to shareholders on the re-appointment of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- (viii) reviewing significant financial reporting issues and judgements with the Chief Financial Officer and the external auditors so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board of Directors;

# Directors' Statement

AS AT 31 MAY 2018

## 6. AUDIT COMMITTEE (CONTINUED)

- (ix) reviewing and report to the Board of Directors at least annually the adequacy and effectiveness of the Group's material internal controls with the Chief Financial Officer and the internal and external auditors, including financial, operation, compliance and information technology controls via reviews carried out by the internal auditors;
- (x) reviewing and approve transactions falling within the scope of Chapter 9 and Chapter 10 of Catalist Rules (if any);
- (xi) reviewing any potential conflicts of interest;
- (xii) undertaking other reviews and projects as may be requested by the Board and report to the Board of Directors the findings from time to time on matters arising and requiring the attention of the Audit Committee;
- (xiii) reviewing and establish procedures for receipt, retention and treatment of complaints received by the Group, *inter alia*, criminal offences involving the Group or the employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group; and
- (xiv) generally to undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

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

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

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

## 7. INDEPENDENT AUDITOR

The independent auditor, Messrs BDO LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors,

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**Dr. Heah Sieu Min**  
Director

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**Dr. Chia Kok Hoong**  
Director

Singapore  
29 August 2018



# Independent Auditor's Report

To the Members of HC Surgical Specialists Limited

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of HC Surgical Specialists Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 65 to 132, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 May 2018;
- 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 Financial Reporting Standards in Singapore ("FRSs") 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 2018 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 ("SSA"). Our responsibilities under those standards are further described in the *Auditor's 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 Auditor's 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
<p><b>1. Acquisitions of subsidiaries and associate</b></p> <p>During the financial year ended 31 May 2018, the Company acquired 51% and 51% equity interest in Medical L &amp; C Services Pte. Ltd. ("MLCS") and HMC Medical Pte. Ltd. ("HMC") respectively for a total purchase consideration of \$1,739,000, thereby obtaining control of these entities. The Company also acquired 49% equity interest in MediNex Pte. Ltd. ("MDN") for a purchase consideration of \$4,381,000, resulting in an investment in associate.</p> <p>In accounting for these acquisitions, management, assisted by its external valuer, performed valuations to determine the fair values of MLCS, HMC and MDN's identifiable assets acquired and liabilities assumed at their respective acquisition dates.</p> <p>We have determined the accounting for the acquisitions of MLCS, HMC and MDN, to be a key audit matter as these acquisitions are material transactions during the financial year. In addition, the assessment of whether the Group has control or significant influence over the acquirees requires significant management judgement.</p>	<p>We performed the following audit procedures, amongst others:</p> <ul style="list-style-type: none"><li>• Assessed management's judgement on the acquisitions in determining that the Group has control over MLCS and HMC, and significant influence over MDN.</li><li>• Assessed the independence and competency of the external valuer which included considering their experiences and qualification in performing valuations for such business combinations.</li><li>• Discussed with the external valuer on the valuation methodologies used and the results of their work.</li><li>• Engaged our internal valuation specialists to evaluate the valuation methodologies used and the reasonableness of the key assumptions used.</li><li>• Assessed the adequacy of related disclosures in the financial statements.</li></ul>

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Refer to Notes 3.1(ii), 6 and 7 to the financial statements.



# Independent Auditor's Report

To the Members of HC Surgical Specialists Limited

## KEY AUDIT MATTER

## AUDIT RESPONSE

### 2. Impairment assessment of goodwill

As at 31 May 2018, the Group's goodwill amounted to approximately \$5,091,000, which included the goodwill of \$1,703,000 arising from new acquisitions during the financial year.

Under FRS 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, management prepared discounted cash flow forecasts for the respective cash generating units to determine if any impairment is required.

We have determined the impairment assessment of goodwill to be a key audit matter as the impairment assessment involved significant judgements and estimates with regard to the key assumptions used in estimating the expected discounted future cash flows, such as the revenue growth rates and the discount rate.

We performed the following audit procedures, amongst others:

- Discussed with management and evaluated the key assumptions made by management, including performing analytical procedures and comparing the revenue growth rate against historical performance, as appropriate.
- Engaged our internal valuation specialists to evaluate the reasonableness of the discount rate used.
- Performed sensitivity analysis around the key assumptions, including the revenue growth rates, discount rate and terminal growth rate, used in cash flow forecasts.
- Assessed the adequacy of the disclosure in the financial statements with respect to the goodwill impairment.

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Refer to Notes 3.2(ii) and 5 to the financial statements.

# Independent Auditor's Report

To the Members of HC Surgical Specialists Limited

## KEY AUDIT MATTER

## AUDIT RESPONSE

### 3. Impairment assessment of investments in subsidiaries

As at 31 May 2018, the carrying amount of the Company's investments in subsidiaries amounted to \$5,808,000. 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, arising from indicators of impairment in certain subsidiaries, 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 \$280,000 was recognised on the investment in a subsidiary during the financial year.

We focused on the impairment assessment of the subsidiaries as a key audit matter owing to the significant management judgements involved in the key assumptions used in estimating the expected discounted future cash flows, such as the revenue growth rates and the discount rate.

We performed the following audit procedures, amongst others:

- Discussed with management and evaluated the key assumptions made by management, including performing analytical procedures and comparing the revenue growth rate against historical performance, as appropriate.
- Engaged our internal valuation specialists to evaluate the reasonableness of the discount rate used.
- Performed sensitivity analysis around the key assumptions, including the revenue growth rates, discount rate and terminal growth rate used in cash flow forecasts.
- Assessed the adequacy of the disclosure in the financial statements with respect to the impairment assessment of investments in subsidiaries.

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Refer to Notes 3.2(i) and 6 to the financial statements.



# Independent Auditor's Report

To the Members of HC Surgical Specialists Limited

## KEY AUDIT MATTER

## AUDIT RESPONSE

### 4. Fair value of available-for-sale financial assets

In FY2017, the Group acquired 40% equity interest in HSN Healthcare Pte. Ltd. ("HSN") which was classified as available-for-sale financial assets ("AFS") as management determined that the Group did not have significant influence over HSN.

As at 31 May 2018, the carrying amount of the AFS was \$1,028,000, which included advances of \$928,000 made to HSN as part of a capital contribution commitment.

Management evaluated the fair value of AFS using future cash flows prepared by HSN's management, which involved significant judgement and assumptions in relation to the growth rates and discount rate.

We focused on the fair value of the AFS as a key audit matter owing to the significant management judgement involved, and taking into account that the fair value was derived using significant unobservable inputs (Level 3).

We performed the following audit procedures, amongst others:

- Evaluated the key assumptions made by HSN's management, including comparing the revenue growth rates against historical performance and market data, as appropriate.
- Engaged our internal valuation specialists to evaluate the valuation technique applied by the Group's management using the future cash flows prepared by HSN's management, and the reasonableness of the discount rate used.
- Performed sensitivity analysis around the key assumptions, including the revenue growth rates, discount rate and terminal growth rate, used in cash flow forecast.
- Assessed the adequacy of the related disclosures in the financial statements.

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Refer to Notes 3.1(i) and 9 to the financial statements.

# Independent Auditor's 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 auditor's 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 FRSs, 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.

## **AUDITOR'S 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 auditor's 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 Auditor's Report

To the Members of HC Surgical Specialists Limited

## **AUDITOR'S 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 auditor's 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 auditor's 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 auditor's 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 Auditor's 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 auditor, have been properly kept in accordance with the provisions of the Act.

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

### **BDO LLP**

Public Accountants and  
Chartered Accountants

Singapore  
29 August 2018



# Statements Of Financial Position

AS AT 31 MAY 2018

	Note	Group		Company	
		2018	2017	2018	2017
		\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Plant and equipment	4	1,359	1,440	28	41
Intangible assets	5	5,115	3,421	1	3
Investments in subsidiaries	6	–	–	5,808	4,316
Investments in associates	7	5,708	–	5,381	–
Held-to-maturity financial assets	8	2,000	–	2,000	–
Available-for-sale financial assets	9	1,028	536	1,028	536
Deferred tax assets	10	2	2	–	–
Advance payments	11	300	–	300	–
		15,512	5,399	14,546	4,896
<b>Current assets</b>					
Inventories	12	220	125	–	–
Trade and other receivables	11	1,708	1,108	2,974	3,729
Prepayments		211	181	68	74
Cash and cash equivalents	13	4,988	8,757	2,366	6,308
		7,127	10,171	5,408	10,111
<b>Total assets</b>		22,639	15,570	19,954	15,007
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	14	14,433	13,014	14,433	13,014
Treasury shares	15	(321)	–	(321)	–
Merger reserve	16	(815)	(815)	–	–
Retained earnings	17	3,407	1,631	2,674	1,489
<b>Equity attributable to owners of the parent</b>		16,704	13,830	16,786	14,503
Non-controlling interests		404	95	–	–
<b>Total equity</b>		17,108	13,925	16,786	14,503
<b>Non-current liabilities</b>					
Deferred tax liabilities	10	96	–	–	–
Derivative financial instruments	18	69	36	69	36
Provisions	19	84	50	13	13
		249	86	82	49
<b>Current liabilities</b>					
Trade and other payables	20	2,503	1,238	746	455
Bank borrowings	22	2,250	–	2,250	–
Current income tax payable		529	321	90	–
		5,282	1,559	3,086	455
<b>Total liabilities</b>		5,531	1,645	3,168	504
<b>Total equity and liabilities</b>		22,639	15,570	19,954	15,007

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

# Consolidated Statement Of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

	Note	2018 \$'000	2017 \$'000
Revenue	23	16,022	9,475
<i>Other items of income</i>			
Other income	24	228	210
Fair value gain on derivative financial instruments	18	–	45
<i>Items of expense</i>			
Changes in inventories		17	78
Inventories and consumables used		(1,731)	(1,145)
Employee benefits expense	25	(5,660)	(3,327)
Depreciation and amortisation expenses	26	(362)	(199)
Operating lease expenses		(947)	(835)
Other expenses		(2,034)	(2,459)
Finance costs	27	(38)	(306)
Share of results of an associate, net of tax		572	–
Profit before income tax	28	6,067	1,537
Income tax expense	29	(553)	(273)
Profit for the financial year, representing total comprehensive income for the financial year		5,514	1,264
<b>Profit and total comprehensive income attributable to:</b>			
Owners of the parent		4,464	1,308
Non-controlling interests		1,050	(44)
		5,514	1,264
<b>Earnings per share (cents)</b>			
- Basic	30	2.99	1.03
- Diluted	30	2.99	1.03

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

# Consolidated Statement Of Changes In Equity

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

Note	Share capital \$'000	Treasury shares \$'000	Merger reserve \$'000	Retained earnings \$'000	Equity attributable to owners of the parent \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 June 2017	13,014	-	(815)	1,631	13,830	95	13,925
Profit for the financial year	-	-	-	4,464	4,464	1,050	5,514
<b>Total comprehensive income for the financial year</b>	-	-	-	4,464	4,464	1,050	5,514
<b>Contributions by and distributions to owners</b>							
14 Issue of shares	1,419	-	-	-	1,419	-	1,419
15 Purchase of treasury shares	-	(321)	-	-	(321)	-	(321)
31 Dividends	-	-	-	(2,688)	(2,688)	-	(2,688)
<b>Total transactions with owners</b>	1,419	(321)	-	(2,688)	(1,590)	-	(1,590)
<b>Transactions with non-controlling interests</b>							
Acquisition of subsidiaries	-	-	-	-	-	66	66
Dividends paid to non-controlling interests	-	-	-	-	-	(807)	(807)
<b>Total transactions with non-controlling interests</b>	-	-	-	-	-	(741)	(741)
Balance at 31 May 2018	14,433	(321)	(815)	3,407	16,704	404	17,108

# Consolidated Statement Of Changes In Equity

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

	Note	Share capital \$'000	Merger reserve \$'000	Retained earnings \$'000	Equity attributable to owners of the parent \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 June 2016		10	(815)	2,957	2,152	46	2,198
Profit for the financial year		–	–	1,308	1,308	(44)	1,264
<b>Total comprehensive income for the financial year</b>		–	–	1,308	1,308	(44)	1,264
<b>Contributions by and distributions to owners</b>							
Issue of shares	14	13,736	–	–	13,736	–	13,736
Share issue expenses	14	(732)	–	–	(732)	–	(732)
Dividends	31	–	–	(2,634)	(2,634)	–	(2,634)
<b>Total transactions with owners</b>		13,004	–	(2,634)	10,370	–	10,370
<b>Transactions with non-controlling interests</b>							
Subscriptions of shares by non-controlling interest in a subsidiary		–	–	–	–	98	98
Dividends paid to non-controlling interests		–	–	–	–	(5)	(5)
<b>Total transactions with non-controlling interests</b>		–	–	–	–	93	93
Balance at 31 May 2017		13,014	(815)	1,631	13,830	95	13,925

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



# Consolidated Statement Of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Operating activities</b>		
Profit before income tax	6,067	1,537
Adjustments for:		
Allowance for impairment loss on doubtful third parties trade receivables	–	37
Allowance for impairment loss on doubtful third parties trade receivables written back	(3)	(5)
Amortisation of intangible assets	12	9
Bad third parties trade receivables written off	18	14
Depreciation of plant and equipment	350	190
Fair value gain on derivative financial instruments	–	(45)
Interest income	(107)	(59)
Interest expense	38	306
Inventories written off	2	–
Loss arising from deemed disposal in an associate	147	–
Plant and equipment written off	2	–
Share-based payments – employee benefits expense	–	37
Share of results of an associate, net of tax	(572)	–
Operating cash flows before working capital changes	5,954	2,021
Working capital changes:		
Inventories	82	(69)
Trade and other receivables	(516)	(263)
Prepayments	(30)	(141)
Trade and other payables	939	218
Cash generated from operations	6,429	1,766
Income tax paid	(302)	(492)
Net cash from operating activities	6,127	1,274
<b>Investing activities</b>		
Acquisition of an associate	(4,237)	–
Acquisition of subsidiaries, net of cash acquired	(1,307)	(2,152)
Advance payments for acquisition of investments	(300)	–
Dividend income from an associate	98	–
Interest received	107	59
Investment in held-to-maturity financial assets	(2,000)	–
Investment in available-for-sale financial assets	(492)	(536)
Purchase of intangible assets	(3)	(38)
Purchase of plant and equipment	(257)	(1,059)
Net cash used in investing activities	(8,391)	(3,726)

# Consolidated Statement Of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financing activities</b>		
Advances from directors of subsidiaries	69	49
Advances from related party	79	–
Dividends paid to owners of the parent	(2,688)	(2,634)
Dividends paid to non-controlling interests	(807)	(5)
Interest paid	(38)	–
Proceeds from issuance of ordinary shares	–	8,100
Proceeds from bank borrowings (Note A)	3,000	–
Repayment of bank borrowings (Note A)	(750)	–
Repayment to related party	(49)	–
Purchase of treasury shares	(321)	–
Share issue expenses	–	(233)
Subscription for shares in subsidiary by a non-controlling interest	–	98
Net cash (used in)/from financing activities	(1,505)	5,375
Net change in cash and cash equivalents	(3,769)	2,923
Cash and cash equivalents at beginning of financial year	8,757	5,834
Cash and cash equivalents at end of financial year	4,988	8,757

## A - Reconciliation of liabilities arising from financing activities:

	<b>1 June 2017</b>	<b>Cash flows</b>	<b>31 May 2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Bank borrowings	–	2,250	2,250

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





# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

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") on 3 November 2016.

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

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

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

The statement of financial position of the Company as at 31 May 2018 and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 May 2018 were authorised for issue in accordance with a Directors' resolution dated 29 August 2018.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") 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 ("S") and rounded to the nearest thousand ("S'000"), unless otherwise stated.

The preparation of financial statements in conformity with FRS 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.

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation of financial statements (Continued)

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.

During the financial year, the Group and the Company adopted the new or revised FRS that are relevant to their operations and effective for the current financial year. The adoption of the new or revised FRS including related Interpretations of FRS ("INT FRS") did not result in any substantial changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current and prior financial years, except as detailed below.

#### FRS 7 (Amendments) *Disclosure Initiative*

The amendments require additional disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group adopted these amendments on 1 June 2017 and the additional disclosures have been included in the consolidated statement of cash flows.

### **Singapore Financial Reporting Standards (International) ("SFRS(I)s") and Interpretations of SFRS(I) ("INT SFRS(I)") issued but not yet effective**

#### ***Convergence with International Financial Reporting Standards ("IFRSs")***

On 29 December 2017, Accounting Standards Council Singapore has issued SFRS(I)s, Singapore's equivalent of the IFRSs. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore are required to apply SFRS(I)s for annual periods beginning on or after 1 January 2018.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 First-time Adoption of International Financial Reporting Standards. In addition to the adoption of the new framework, the following new SFRS(I)s, amendments to and INT SFRS(I) are effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* and Amendments to SFRS(I) 15 *Clarifications to SFRS(I) 15*;
- SFRS(I) 9 *Financial Instruments*;
- Classification and Measurement of Share-based Payment Transactions (Amendments to SFRS(I) 2);
- *Transfers of Investment Property* (Amendments to SFRS(I) 1-40);
- *Deletion of short-term exemptions for first-time adopters* (Amendments to SFRS(I) 1);
- *Measuring an Associate or Joint Venture at Fair Value* (Amendments to SFRS(I) 1-28);
- Applying SFRS(I) 9 *Financial Instruments* with SFRS(I) 4 *Insurance Contracts* (Amendments to SFRS(I) 4); and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation of financial statements (Continued)

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

##### *Convergence with IFRSs* (Continued)

The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements, except for SFRS(I) 9 and SFRS(I) 15 as disclosed below.

#### **SFRS(I) 9 Financial Instruments**

##### Summary of the requirements

SFRS(I) 9 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.

SFRS(I) 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 June 2018.

##### Potential impact on the financial statements

During the financial year, the Group completed its initial assessment of the impact on the Group's financial statements.

Overall, the Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9.

Financial assets and liabilities currently accounted for at amortised cost will continue to be accounted for using amortised cost model under SFRS(I) 9. The Group and the Company currently account for the investments in unlisted equity securities at fair value less impairment, if any, as disclosed in Note 9 to the financial statements. On the adoption of SFRS(I) 9, these financial assets will qualify to be accounted for at fair value to other comprehensive income and these fair value changes will not be reclassified to profit or loss even on disposal.

The new impairment requirements are expected to result in changes to and likely increase in impairment loss allowance for trade and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables and held to maturity debt securities, the Group will initially provide for 12 months expected losses under the three-stage model.

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation of financial statements (Continued)

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

##### *Convergence with IFRSs* (Continued)

#### **SFRS(I) 9 Financial Instruments** (Continued)

##### Potential impact on the financial statements (Continued)

Under the new impairment model, the Company estimates that the impairment loss allowance on trade receivables and other receivables will not be significant when the new standard is adopted. The Company is currently finalising the policies and procedures in determining how to estimate the expected credit losses and the sources of forward-looking data, and evaluating the tax implications arising from the above change in impairment model.

The Group plans to adopt SFRS(I) 9 in the financial year beginning on 1 June 2018 with retrospective effect in accordance with the transitional provisions and intends to elect not to restate comparatives for the previous financial year.

The Group will include additional financial statements disclosures in the financial year when SFRS(I) 9 is adopted.

#### **SFRS(I) 15 and Clarifications to SFRS(I) 15 Revenue from Contracts with Customers**

##### Summary of the requirements

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also establishes principles to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. In addition, it also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

When effective, SFRS(I) 15 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

SFRS(I) 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Clarifications to SFRS(I) 15 *Revenue Contracts with Customers* clarifies how to:

- (i) Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract;
- (ii) Determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
- (iii) Determine whether the revenue from granting a licence should be recognised at a point in time or over time.

The amendments have the same effective date as the Standard, SFRS(I) 15, i.e. on 1 January 2018.



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation of financial statements (Continued)

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

##### *Convergence with IFRSs* (Continued)

#### **SFRS (I) 15 and Clarifications to SFRS (I) 15 Revenue from Contracts with Customers** (Continued)

##### Potential impact on the financial statements

During the financial year, the Group completed its initial assessment of the impact on its financial statements.

The Group does not expect significant changes based on its initial assessment of revenue recognition as disclosed in Note 2.15 to the financial statements.

The Group plans to adopt the standard in the financial year beginning on 1 June 2018 with full retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

#### **Applicable to financial statements for the financial year ending 2019 and thereafter**

The following new SFRS(I), amendments to and interpretations of SFRS(I) are effective for annual periods beginning on 1 June 2019, and have not been early adopted:

- SFRS(I) 1-19 *Amendments to SFRS(I) 1-19: Plan Amendment, Curtailment or Settlement*
- SFRS(I) 9: *Prepayment Features with Negative Compensation*
- SFRS(I) 1-28: *Long-term Interests in Associates and Joint Ventures*
- SFRS(I) 16 *Leases*
- SFRS(I) 17 *Insurance Contracts*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- Annual improvements to SFRS(I) 2015-2017 cycle

##### Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

Management anticipates that the adoption of the above new SFRS(I), amendments to and interpretations of SFRS(I) will not have a material impact on the financial statements of the Group in the period of their initial adoption, except as disclosed below.

#### **SFRS(I) 16 Leases**

##### Summary of the requirements

SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and financial liabilities to pay rentals with a term of more than 12 months, unless the underlying asset is of a low value.

SFRS(I) 16 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, SFRS(I) 16 requires more extensive disclosures to be provided by a lessor.

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation of financial statements (Continued)

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

*Convergence with IFRSs* (Continued)

**SFRS(I) 16 Leases** (Continued)

Summary of the requirements (Continued)

When effective, SFRS(I) 16 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SFRS(I) 15 is also applied.

Potential impact on the financial statements

On initial adoption of SFRS(I) 16, there may be a potentially significant impact on the accounting treatment for leases, which the Group and the Company as lessee currently accounts for as operating leases. On adoption of SFRS(I) 16, the Group and the Company will be required to capitalise rented office and clinic spaces on the statements of financial position by recognising them as 'right-of-use' assets and their corresponding lease liabilities for the present value of future lease payments. The Group and the Company plan to adopt the standard in the financial year beginning on 1 June 2019 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in the financial statements for that financial year.

### 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 2018

## 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 FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

### 2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is 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 also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 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 FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at the lower of cost and fair value less costs to sell.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured 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.

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Business combinations (Continued)

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 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 FRS 12 *Income Taxes* and FRS 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 FRS 102 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *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 cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition date fair value amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

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

#### *Acquisition under common control*

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





# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Plant and equipment

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

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

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

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the financial year the asset is derecognised.

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:

	<b>Years</b>
Computer	3
Furniture, fittings and office equipment	5
Medical equipment	8
Renovation	5

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.

### 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.

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Intangible assets (Continued)

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 as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

#### *Goodwill*

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

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

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

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

#### *Computer software*

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

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

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



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that may be a change in any of these elements of control.

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

### 2.7 Associates

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

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

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

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

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

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

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

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 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 unless it reverses a previous revaluation credited to other comprehensive income, in which case it is charged to other comprehensive income up to the amount of any previous revaluation.

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 unless the asset is carried at revalued amount, in which case the reversal in excess of impairment losses recognised in profit or loss or amortisation in prior periods is treated as a revaluation increase. 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.

### 2.9 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.



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Financial assets

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

(i) Loans and receivables

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

(ii) Held-to-maturity financial assets

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

(iii) Available-for-sale financial assets

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

#### *Recognition and derecognition*

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

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

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

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

#### *Initial and subsequent measurement*

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

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

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Financial assets (Continued)

#### *Initial and subsequent measurement (Continued)*

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

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

#### *Impairment*

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

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

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

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

#### (ii) Available-for-sale financial assets

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

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



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 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.

### 2.12 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 of the Company.

### 2.13 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss ("FVTPL") or other financial liabilities.

Financial liabilities are classified as FVTPL if the financial liability is either held for trading or it is designated as such upon initial recognition. The Group and the Company have not designated any financial liabilities as FVTPL upon initial recognition.

The accounting policies adopted for other financial liabilities are set out below:

(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.

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 Financial liabilities (Continued)

#### (ii) Redeemable convertible loans ("RCL")

RCL with conversion option are accounted for as financial liability with an embedded equity conversion derivative based on the terms of the contract. On issuance of RCL, the embedded option is recognised at its fair value as derivative liability with subsequent changes in fair value recognised in profit or loss. The remainder of the proceeds is allocated to the liability component that is carried at amortised cost until the liability is extinguished on conversion or redemption. When an equity conversion option is exercised, the carrying amounts of the liability component and the equity conversion option are derecognised with a corresponding recognition of share capital.

#### (iii) 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.

#### *Recognition and derecognition*

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

Financial liabilities are derecognised when the contractual obligation has been discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

When an existing liability is replaced by another form from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.





# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.14 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 conversion option of RCL and option to re-purchase as derivative financial instruments. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

When the conversion option is exercised, the carrying amounts of the liability and embedded derivative components are transferred to the share capital. When the conversion option lapses, its carrying amount is transferred to retained earnings. In respect of option to re-purchase when the option lapses or exercises, its carrying amount is transferred to profit or loss.

### 2.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of business. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity and the revenue can be measured reliably. Revenue is presented net of rebates, discounts and sales related taxes.

Revenue from rendering of services in respect of provision of consultations, clinical tests and treatments and operations are recognised when the services have been performed and completed.

### 2.16 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 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.17 Grants

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

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

### 2.18 Leases

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

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

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

*When the Company is the lessor of operating leases*

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

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

### 2.19 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.



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 Borrowing costs

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

### 2.21 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.

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.22 Dividends

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

### 2.23 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.

## 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 available-for-sale financial assets

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

The Group and the Company hold a 40% equity interest in HSN Healthcare Pte. Ltd. which the Group has considered that it does not have any significant influence over this entity as the Group has no power to participate in the financial and operating policy decisions of this entity. These investments are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. As a result, the investment is classified as available-for-sale financial assets instead of investment in associate.

Fair value of the available-for-sale financial assets is determined based on discounted cash flow model and recent comparable transactions. 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 available-for-sale financial assets significantly.



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

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

### 3.1 Critical judgements made in applying the accounting policies (Continued)

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

The Group has exercised significant judgement to determine LBPL, CTK, JOES, MLCS and HMC as subsidiaries of the Group and to consolidate its economic interest in the acquired subsidiaries. The Group holds 51%, 100%, 51%, 51% and 51% of the paid-up share capital of LBPL, CTK, JOES, MLCS and HMC respectively. The Group has also granted options to the vendors to re-purchase the entire share capital of CTK and HMC and up to 20.0% of the total issued shares in LBPL from the Group as disclosed in Note 6 to the financial statements. Management has made their assessment of the acquisitions, including the granting of the option to re-purchase and determined that the Group has the ability to control and direct the relevant activities of the above mentioned entities and therefore the Group consolidates LBPL, CTK, JOES, MLCS and HMC as subsidiaries.

### 3.2 Key sources of estimation uncertainty

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

- (i) Impairment of investments in subsidiaries

The Company follows the guidance of FRS 36 in determining whether an investment in a subsidiary is impaired. This determination requires significant judgement. The Company evaluates, among other factors, the duration and extent to which the recoverable amount of an investment in subsidiary is less than its carrying amount and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance and operational and financing cash flows.

- (ii) Goodwill

The management determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which the goodwill has been allocated. Recoverable amount of the cash-generating unit is determined based on value-in-use. 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. The carrying amount of the Group's goodwill as at 31 May 2018 was \$5,091,000 (2017: \$3,388,000).

- (iii) Allowance for impairment loss on doubtful receivables

The management establishes allowance for doubtful receivables when it believes that payment of amounts owed is unlikely to occur. In establishing the allowance, the management considers the historical experience and the subsequent inability of the customers to make required payments. If the financial condition of these customers were to deteriorate, resulting in impairment of the ability to make the required payments, additional allowance may be required. The carrying amounts of trade and other receivables of the Group and of the Company as at 31 May 2018 were \$2,008,000 (2017: \$1,108,000) and \$3,274,000 (2017: \$3,729,000) respectively.

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

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

### 3.2 Key sources of estimation uncertainty (Continued)

- (iv) Fair value measurement of derivative financial instruments

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

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

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 \$69,000 respectively.

## 4. PLANT AND EQUIPMENT

	<b>Computer \$'000</b>	<b>Furniture, fittings and office equipment \$'000</b>	<b>Medical equipment \$'000</b>	<b>Renovation \$'000</b>	<b>Total \$'000</b>
<b>Group</b>					
<b>Cost</b>					
Balance at 1 June 2017	98	143	851	1,184	2,276
Additions	23	–	155	93	271
Written off	(10)	(1)	–	–	(11)
Balance at 31 May 2018	111	142	1,006	1,277	2,536
<b>Accumulated depreciation</b>					
Balance at 1 June 2017	32	37	375	392	836
Depreciation for the financial year	32	26	86	206	350
Written off	(8)	(1)	–	–	(9)
Balance at 31 May 2018	56	62	461	598	1,177
<b>Net carrying amount</b>					
Balance at 31 May 2018	55	80	545	679	1,359



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 4. PLANT AND EQUIPMENT (CONTINUED)

	<b>Computer \$'000</b>	<b>Furniture, fittings and office equipment \$'000</b>	<b>Medical equipment \$'000</b>	<b>Renovation \$'000</b>	<b>Total \$'000</b>
<b>Group</b>					
<b>Cost</b>					
Balance at 1 June 2016	72	136	593	577	1,378
Arising from acquisition of subsidiary	–	2	–	–	2
Additions	80	5	393	631	1,109
Written off	(8)	–	(135)	(24)	(167)
Reclassification to intangible assets	(46)	–	–	–	(46)
Balance at 31 May 2017	98	143	851	1,184	2,276
<b>Accumulated depreciation</b>					
Balance at 1 June 2016	67	29	455	304	855
Depreciation for the financial year	15	8	55	112	190
Written off	(8)	–	(135)	(24)	(167)
Reclassification to intangible assets	(42)	–	–	–	(42)
Balance at 31 May 2017	32	37	375	392	836
<b>Net carrying amount</b>					
Balance at 31 May 2017	66	106	476	792	1,440

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 4. PLANT AND EQUIPMENT (CONTINUED)

	Computer \$'000	Furniture, fittings and office equipment \$'000	Renovation \$'000	Total \$'000
<b>Company</b>				
<b>Cost</b>				
Balance at 1 June 2017 and at 31 May 2018	22	17	13	52
<b>Accumulated depreciation</b>				
Balance at 1 June 2017	7	3	1	11
Depreciation for the financial year	7	3	3	13
Balance at 31 May 2018	14	6	4	24
<b>Net carrying amount</b>				
Balance at 31 May 2018	8	11	9	28
<b>Cost</b>				
Balance at 1 June 2016	6	4	–	10
Additions	20	13	13	46
Reclassification to intangible assets	(4)	–	–	(4)
Balance at 31 May 2017	22	17	13	52
<b>Accumulated depreciation</b>				
Balance at 1 June 2016	1	–	–	1
Depreciation for the financial year	6	3	1	10
Balance at 31 May 2017	7	3	1	11
<b>Net carrying amount</b>				
Balance at 31 May 2017	15	14	12	41

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

	2018 \$'000	2017 \$'000
Additions of plant and equipment	271	1,109
Less: Provision for reinstatement cost	(14)	(50)
Cash payments to acquire plant and equipment	257	1,059





# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 5. INTANGIBLE ASSETS

	<b>Goodwill</b>	<b>Computer software</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Group</b>			
<b>Cost</b>			
Balance at 1 June 2017	3,388	84	3,472
Arising from acquisition of subsidiaries	1,703	–	1,703
Additions	–	3	3
Balance at 31 May 2018	<u>5,091</u>	<u>87</u>	<u>5,178</u>
<b>Accumulated amortisation</b>			
Balance at 1 June 2017	–	51	51
Amortisation for the financial year	–	12	12
Balance at 31 May 2018	<u>–</u>	<u>63</u>	<u>63</u>
<b>Net carrying amount</b>			
Balance at 31 May 2018	<u>5,091</u>	<u>24</u>	<u>5,115</u>
Remaining useful life at end of financial year	<u>Indefinite</u>	<u>1 to 3 years</u>	
<b>Cost</b>			
Balance at 1 June 2016	–	–	–
Arising from acquisition of subsidiaries	3,388	–	3,388
Additions	–	38	38
Reclassification from plant and equipment	–	46	46
Balance at 31 May 2017	<u>3,388</u>	<u>84</u>	<u>3,472</u>
<b>Accumulated amortisation</b>			
Balance at 1 June 2016	–	–	–
Amortisation for the financial year	–	9	9
Reclassification from plant and equipment	–	42	42
Balance at 31 May 2017	<u>–</u>	<u>51</u>	<u>51</u>
<b>Net carrying amount</b>			
Balance at 31 May 2017	<u>3,388</u>	<u>33</u>	<u>3,421</u>
Remaining useful life at end of financial year	<u>Indefinite</u>	<u>1 to 3 years</u>	

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 5. INTANGIBLE ASSETS (CONTINUED)

	<b>Computer software</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Company</b>		
<b>Cost</b>		
Balance at beginning of financial year	4	–
Reclassification from plant and equipment	–	4
Balance at end of financial year	4	4
<b>Accumulated amortisation</b>		
Balance at beginning of financial year	1	–
Amortisation for the financial year	2	1
Balance at end of financial year	3	1
<b>Net carrying amount</b>		
Balance at end of financial year	1	3
Remaining useful life at end of financial year	1 year	2 years

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

Goodwill arising from the business combinations were 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.

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
CTK	429	429
LBPL	815	815
JOES	2,144	2,144
MLCS	1,055	–
HMC	648	–
	5,091	3,388

### *Impairment test for goodwill*

As at 31 May 2018, 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 (2017: 3 to 5 years). Management has assessed 5 years cash flows for the financial forecast of the CGU is appropriate considering the management’s plan for its business plan in the near future. The revenue growth rates are based on management’s best estimate, average gross margin are based on past performance and discount rates that reflect current market assessment of the time value of money and the risks specific to the CGUs.



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 5. INTANGIBLE ASSETS (CONTINUED)

*Impairment test for goodwill (Continued)*

Key assumptions used for value-in-use calculations:

	Revenue growth rate		Pre-tax discount rate	
	2018	2017	2018	2017
CTK	2018	–	10%	7.0%
	2019	14%	8%	6.7%
	2020	12%	6%	
	2021	9%	–	
	2022	6%	–	
	2023	4%	–	
LBPL	2018	–	20%	7.0%
	2019	7%	20%	6.7%
	2020 to 2021	7%	18%	
	2022	7%	16%	
	2023	7%	–	
JOES	2018	–	10%	7.0%
	2019	15%	8%	6.7%
	2020 to 2021	12%	6%	
	2022	10%	6%	
	2023	10%	–	
MLCS	2019 to 2023	10%	–	7.0%
HMC	2019 to 2023	3%	–	7.0%

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 rate that reflect current market assessments of the time value of money and the risks specific to the CGUs. The discount rate calculation is derived from the weighted average cost of capital (“WACC”) of the Group.

With regards to the assessment of value-in-use for goodwill, management believes that no reasonably possible changes in any key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

As at the end of the reporting period, the recoverable amount of the CGU was determined to be higher than its carrying amount and thus, no impairment loss need to be recognised.

## 6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018	2017
	\$'000	\$'000
Unquoted equity shares, at cost	6,088	4,316
Allowance for impairment losses	(280)	–
	5,808	4,316

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Movement in allowance for impairment losses was as follows:

	Company	
	2018 \$'000	2017 \$'000
Balance at beginning of financial year	–	–
Impairment losses during the financial year	280	–
Balance at end of financial year	280	–

The management will assess the recoverable amount of its investments in subsidiaries at the end of each reporting period to determine whether there is any indication of impairment. During the financial year ended 31 May 2018, the Company carried out a review of the recoverable amount of the investment in a subsidiary due to the losses reported by this subsidiary as a result of ceased business operation of the subsidiary. The review led to the Company recognised an impairment loss of \$280,000 (2017: \$Nil) in the Company's profit or loss. The recoverable amount of the subsidiary of \$158,000 has been determined on the basis of its net tangible asset position of the subsidiary which approximates the fair value less cost to sell.

The details of the subsidiaries are as follows:

Name of Company	Principal place of business	Principal activities	Effective equity interest held		Ownership interest held by the non-controlling interests	
			2018 %	2017 %	2018 %	2017 %
Heah Sieu Min (Mt E) Pte. Ltd. <sup>(1)</sup>	Singapore	Colorectal endoscopy and piles centre	100	100	–	–
Heah Sieu Min (Bukit Batok) Pte. Ltd. <sup>(1)</sup>	Singapore	Colorectal endoscopy practices/provide outpatient consultation services and procedures	100	100	–	–
Heah Sieu Min (Paragon) Pte. Ltd. <sup>(2)</sup>	Singapore	Dormant	100	100	–	–
CKH (Mt. E) Pte. Ltd. <sup>(1)</sup>	Singapore	Dormant	100	100	–	–



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of Company	Principal place of business	Principal activities	Ownership interest held by the non-controlling interests			
			Effective equity interest held		2018	2017
			2018	2017	2018	2017
			%	%	%	%
CKH (Farrer Park) Pte. Ltd. <sup>(1)</sup>	Singapore	General, vein laser vascular and laparoscopy surgery and other health services	100	100	–	–
CKH (Mt A) Pte. Ltd. <sup>(1)</sup>	Singapore	Vein and vascular surgery practices/general surgery	100	100	–	–
SHL Group Pte. Ltd. <sup>(3)</sup>	Singapore	Clinics and other general medical services	66.67	66.67	33.33	33.33
Hougang Clinic Pte. Ltd. <sup>(1)</sup>	Singapore	Specialised medical services (including day surgical centres)/other health services	100	100	–	–
Malcolm Lim Pte. Ltd. <sup>(1)</sup>	Singapore	Clinics and other general medical services	51	51	49	49
LAI BEC Pte. Ltd. <sup>(1)</sup>	Singapore	Clinics and other general medical services	51	51	49	49
CTK Tan Surgery Pte. Ltd. <sup>(1)</sup>	Singapore	Specialised medical services (including day surgical centres)/clinics and other general medical services	100	100	–	–
Heah Sieu Min (DLeedon) Pte. Ltd. <sup>(1)</sup>	Singapore	Specialised medical services (including day surgical centres)/clinics and other general medical services	100	100	–	–
HC (Hillford) Pte. Ltd. <sup>(1)</sup>	Singapore	Specialised medical services (including day surgical centres)/clinics and other general medical services	100	100	–	–
HC (GM) Pte. Ltd. <sup>(1)</sup>	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 2018

## 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of Company	Principal place of business	Principal activities	Ownership interest held by the non-controlling interests			
			Effective equity interest held			
			2018	2017	2018	2017
			%	%	%	%
Julian Ong Endoscopy & Surgery Pte. Ltd. <sup>(1)</sup>	Singapore	Clinics and other general medical services	51	51	49	49
Medical L & C Services Pte. Ltd. <sup>(1)</sup>	Singapore	Clinics and other general medical services	51	–	49	–
HMC Medical Pte. Ltd. <sup>(1)</sup>	Singapore	Clinics and other general medical services	51	–	49	–
HC and Island Family Pte. Ltd. <sup>(4)</sup>	Singapore	Specialised medical services (including day surgical centres)/clinics and other general medical services	80	–	20	–

<sup>(1)</sup> Audited by BDO LLP, Singapore

<sup>(2)</sup> Struck off on 4 June 2018

<sup>(3)</sup> Not considered a significant subsidiary under Rule 718 of the SGX-ST Listing Manual

<sup>(4)</sup> Reviewed by BDO LLP, Singapore for consolidation purposes.

### *Incorporation of subsidiaries*

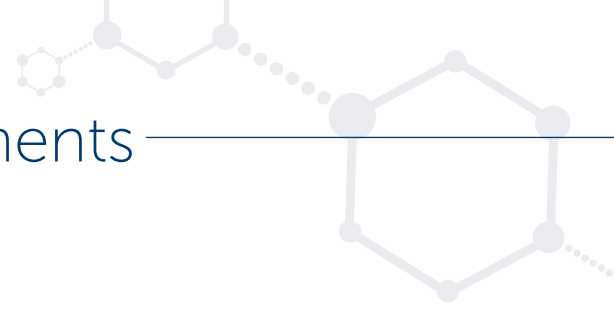
On 10 March 2016, the Company and a third party incorporated a subsidiary, Malcolm Lim Pte. Ltd. (“MLPL”), a company incorporated in Singapore and the Company subscribed for 51,000 shares at \$1 each, which represented an equity interest of 51%. On 30 June 2016, the Company subscribed for additional share capital in MLPL of 102,000 shares at \$1 each by way of cash consideration of \$102,000, representing an equity interest of 51% and the non-controlling interest also contributed cash of \$98,000 representing its proportionate equity interest of 49%. Accordingly, the effective interest held by the Company remained unchanged.

On 11 July 2016, the Company incorporated a wholly-owned subsidiary, Heah Sieu Min (DLeedon) Pte. Ltd. in Singapore, with a cash consideration of \$2.

On 8 December 2016, the Company incorporated a wholly-owned subsidiary, HC (Hillford) Pte. Ltd. in Singapore, with a cash consideration of \$2.

On 9 December 2016, the Company incorporated a wholly-owned subsidiary, HC (GM) Pte. Ltd. in Singapore, with a cash consideration of \$2.

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



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### *Acquisition of subsidiaries*

On 18 July 2016, the Company entered into a sale and purchase agreement, pursuant to which the Company acquired 51% of the issued and fully paid-up share capital in LBPL. The consideration for the acquisition amounted to \$800,000, of which \$150,000 was paid by way of issuance of the Company's shares at \$0.27 and the remaining \$650,000 settled in cash. Under the terms of the sale and purchase agreement, the guarantor has provided the Group with a profit after tax guarantee of \$480,000 in respect of the Company's 51% equity interest of the performance of LBPL over a period of three years. The guarantor undertakes to pay the Company a sum equal to the shortfall between the guaranteed profit and LBPL's actual profit after tax for the profit guarantee period. The Company has granted to the vendor an option to re-purchase up to 20% of the total issued shares in LBPL from the Company, at an exercise price of three times of LBPL's audited profit after tax for the recent financial year (at the time of exercise of the option), provided always that the vendor shall not be entitled to exercise the option prior to the end of 35 months from the date of commencement of the employment of the guarantor with the Group.

On 4 August 2016, the Company entered into a sale and purchase agreement to acquire the entire issued and fully paid-up share capital of CTK. The consideration for the acquisition amounted to \$410,000, of which settlement of \$400,000 was paid by way of issuance of the Company's shares at \$0.27 and the remaining \$10,000 settled in cash. Under the terms of the sale and purchase agreement, the vendor has provided the Group with an annual profit before tax guarantee of \$150,000 per year for a period of three years which shall commence from 1 September 2016. The vendor undertakes to pay the Company a sum equal to the shortfall between the guaranteed profit and CTK's actual profit before tax after adjustments to deduct the profits to be shared with the vendor for each relevant year in the profit guarantee period. The vendor has an option to re-purchase entire issued share capital of CTK at any time for a nominal value of \$1, provided always that the vendor shall not be entitled to exercise the option for so long as he has not given notice to terminate his employment in accordance with his employment contract with the Group.

On 1 February 2017, the Company entered into a sale and purchase agreement, pursuant to which the Company acquired 51% of the issued and fully paid-up share capital in JOES. The consideration for the acquisition amounted to \$2,144,000, of which an amount of \$575,000 was paid by way of issuance of the Company's shares with fair value of \$0.575 each and the remaining \$1,569,000 settled in cash. Under the terms of the sale and purchase agreement, the guarantor has provided the Group with a profit after tax guarantee of \$1,500,000 in respect of the Company's 51% equity interest of the performance of JOES over a period of four years ("the First Profit Guarantee Period"). The guarantor further provides the Group with a second profit guarantee of an aggregate of 3.92 times of JOES's audited profit after tax for the financial year ending 31 May 2020, for a six year period, commencing from the end of the First Profit Guarantee Period. The guarantor undertakes to pay the Company a sum equal to the shortfall between the guaranteed profit and JOES's actual profit after tax for the profit guarantee period.

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

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

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### *Acquisition of subsidiaries (Continued)*

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

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.

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

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

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





# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

*Acquisition of subsidiaries (Continued)*

	<b>CTK</b>	<b>LBPL</b>	<b>JOES</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2017</b>				
Plant and equipment	2	–	–	2
Inventories	9	–	–	9
Trade and other receivables	146	–	–	146
Prepayments	10	–	–	10
Cash and cash equivalents	77	–	–	77
Deferred tax assets	19	–	–	19
Total assets	263	–	–	263
Trade and other payables	(249)	–	–	(249)
Current income tax payables	(12)	–	–	(12)
Total liabilities	(261)	–	–	(261)
Net identifiable assets at fair value	2	–	–	2
Consideration transferred:				
- purchase consideration	(410)	(800)	(2,144)	(3,354)
- option to re-purchase	(21)	(15)	–	(36)
Goodwill arising from acquisition	(429)	(815)	(2,144)	(3,388)

From the date of acquisition, CTK, LBPL and JOES have contributed \$1,494,000 and \$273,000 to the Group's revenue and profit for the financial year ended 31 May 2017 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 \$9,694,000 and profit would have been \$1,339,000.

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

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Total purchase consideration	1,739	3,354
Less: Non-cash consideration	(275)	(1,125)
Less: Cash and cash equivalents of subsidiaries acquired	(157)	(77)
Net cash outflow on acquisition	1,307	2,152

Trade and other receivables acquired comprise gross trade and other receivables amounting to \$99,000 (2017: \$146,000) which approximates fair value. It is expected that full contractual amount of receivables can be collected.

Goodwill of \$1,703,000 (2017: \$3,388,000) arising from the acquisitions is attributable to expected synergies that can be achieved in combining the operations of these subsidiaries with the Group such as expanding the Group's presence in Singapore and tapping on the subsidiaries' workforce expertise. These intangibles identified are subsumed into goodwill as they do not meet the recognition criteria for identifiable intangible assets.

Transaction costs related to the acquisition of subsidiaries amounting to \$33,000 (2017: \$59,000) have been recognised in the "other expenses" line item in the Group's profit or loss for the financial year ended 31 May 2018.

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### Non-controlling interests

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

Summarised financial information in relation to the subsidiaries 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	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets	265	366	712	460	977	826
Non-current assets	15	16	85	99	100	115
Current liabilities	(103)	(368)	(342)	(424)	(445)	(792)
Non-current liabilities	–	–	(14)	–	(14)	–
Net assets	177	14	441	135	618	149
Accumulated NCI	87	7	216	66	303	73

	LBPL		JOES		Total	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	1,171	412	2,666	298	3,837	710
Profit for the financial year/ period, representing total comprehensive income for the financial year/period	462	14	1,556	135	2,018	149
Profit allocated to NCI	226	7	762	66	988	73
Cash flows from operating activities	141	279	1,205	301	1,346	580
Cash flows from/(used in) investing activities	2	(19)	(1,250)	(105)	(1,248)	(124)
Cash flows used in financing activities	(300)	–	(45)	–	(345)	–
Net cash (outflows)/inflows	(157)	260	(90)	196	(247)	456



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 7. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Unquoted equity investments, at cost	5,393	159	5,540	159
Share of post-acquisition results of associates, net of dividend	315	(159)	–	–
Impairment losses	–	–	(159)	(159)
	5,708	–	5,381	–

Movement in allowance for impairment losses was as follows:

	Company	
	2018 \$'000	2017 \$'000
Balance at beginning of financial year	159	–
Impairment losses during the financial year	–	159
Balance at end of financial year	159	159

The details of associates are as follows:

Name of Company	Principal place of business	Principal activities	Effective equity interest	
			2018 %	2017 %
Medical Services @ Tampines Pte. Ltd. <sup>(1)</sup>	Singapore	Clinics and other general medical services/medical shared services	33.33	33.33
MediNex Pte. Ltd. <sup>(2)</sup>	Singapore	Business support services	35.77	–
MediNex Healthcare Pte. Ltd. (formerly known as JK Bizline Pte. Ltd.) <sup>(2)</sup>	Singapore	Business support services	35.77	–
MediNex Corporate Services Pte. Ltd. (formerly known as Ark Corporate Solutions Pte. Ltd.) <sup>(2)</sup>	Singapore	Business support services	35.77	–
Nex Healthcare Pte. Ltd. <sup>(2)</sup>	Singapore	Medical support services	35.77	–
Acctax Management Consultancy Pte. Ltd. <sup>(2)</sup>	Singapore	Business and management consultancy services	17.89	–

<sup>(1)</sup> Audited by BDO LLP, Singapore

<sup>(2)</sup> Reviewed by BDO LLP, Singapore for equity accounting purposes

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

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

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 7. INVESTMENTS IN ASSOCIATES (CONTINUED)

### Acquisition of equity interest in an associate

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

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

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

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

The financial year end of MST is 31 May. However, the financial year end of MDN is made up to 31 December. This was the financial reporting date established when the associate was acquired. For the purposes of applying the equity method of accounting, a realignment of financial statements from 1 June 2017 to 31 May 2018 was prepared by the management of MDN.

Both associates had no contingent liabilities and capital commitments as at the end of the reporting period.

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

	MST		MDN	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Assets and liabilities</b>				
Current assets	70	314	5,213	–
Non-current assets	110	126	2,876	–
Total assets	180	440	8,089	–
Current liabilities	(258)	(480)	(917)	–
Total liabilities	(258)	(480)	(917)	–
Net (liabilities)/assets	(78)	(40)	7,172	–
<b>Income and expenses</b>				
Revenue	1,066	1,051	5,914	–
Total comprehensive income	(21)	(7)	1,472	–

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



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 7. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Net assets of MDN	7,172	–
Less: Adjustment to net assets of MDN <sup>(a)</sup>	(3,617)	–
Adjusted net assets of MDN	3,555	–
Proportion of Group's ownership	35.77%	–
Group's share of interest in associate	1,272	–
Add: Goodwill	4,436	–
Carrying value	5,708	–

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

The Group had not recognised its share of losses of MST amounting to \$12,000 (2017: \$2,000) for the financial year ended 31 May 2018 because the Group's share of losses exceeds its interest in the associate and the Group had no obligation in respect of those losses. The cumulative unrecognised losses with respect to this associate amounted to \$25,000 (2017: \$13,000) as at the end of the reporting period.

## 8. HELD-TO-MATURITY FINANCIAL ASSETS

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Quoted debt securities		
- at amortised cost	2,000	–

The effective interest rate of the quoted debt securities is 5.75% (2017: Nil%) per annum.

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

The fair value of the held-to-maturity financial assets is \$2,031,000 (2017: \$Nil).

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

The currency profile of held-to-maturity financial assets as at the end of the reporting period is Singapore dollar.

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<u>Unquoted equity investment</u>		
Balance at beginning of financial year	536	–
Additions	492	100
Reclassification (Note 38)	–	436
Balance at end of financial year	<b>1,028</b>	<b>536</b>

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

The Group has made an additional advance of \$492,000 (2017: \$436,000) to HSN, which will be converted into the share capital of HSN. The total amount due from HSN of \$928,000 are quasi-equity in nature, non-interest bearing and unsecured. The settlement of the amounts is neither planned nor likely to occur in the foreseeable future and therefore form part of the net investment in AFS.

As at 31 May 2018, the Group has a capital commitment of \$972,000 (2017: \$1,900,000) in relation to unpaid capital contribution in HSN.

### *Fair value of available-for-sale financial assets*

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

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

<b>Financial instrument</b>	<b>Valuation techniques used</b>	<b>Significant unobservable inputs</b>	<b>Average rate %</b>	<b>Relationship between key unobservable inputs and fair value</b>
Available-for-sale financial assets: Unquoted equity investment and quasi-equity loans	Discounted cash flow	Revenue growth rate	28.0	A slight increase in the revenue growth rate used in isolation would result in an increase in the fair value.
		Discount rate	11.56	A slight increase in the discount rate used in isolation would result in a decrease in the fair value.
		Terminal growth rate	2	A slight increase in the terminal growth rate used in isolation would result in an increase in the fair value.

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



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 10. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2018 \$'000	2017 \$'000
Balance at beginning of financial year	2	–
Arising from acquisition of subsidiaries	(23)	19
Charged to profit or loss	(73)	(17)
Balance at end of financial year	(94)	2
Comprising:		
Deferred tax assets	2	2
Deferred tax liabilities	(96)	–
	(94)	2

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

## 11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Non-current assets</b>				
Advance payments	300	–	300	–
<b>Current assets</b>				
Trade receivables				
- third parties	1,462	905	–	–
- subsidiaries	–	–	80	705
- associate	57	37	2	1
- related party	–	15	–	–
	1,519	957	82	706
Allowance for impairment loss on doubtful third parties trade receivables	(55)	(61)	–	–
	1,464	896	82	706
Other receivables				
- third parties	106	55	26	54
- subsidiaries	–	–	2,825	2,923
- associate	–	4	–	–
Deposits	138	153	41	46
	1,708	1,108	2,974	3,729
Total trade and other receivables	2,008	1,108	3,274	3,729

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 11. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

The non-trade amounts due from subsidiaries and associate are unsecured, non-interest bearing and repayable on demand.

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

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

	Group	
	2018 \$'000	2017 \$'000
Balance at beginning of financial year	61	29
Charged for the financial year	–	37
Allowance written back during the financial year	(3)	(5)
Bad receivables written off	(3)	–
Balance at end of financial year	55	61

Allowances for impairment loss on doubtful receivables are made in respect of estimated irrecoverable amounts subsequent to debt recovery assessment made by the management by reference to past default experience.

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

## 12. INVENTORIES

	Group	
	2018 \$'000	2017 \$'000
Medical and surgical supplies	220	125

## 13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Fixed deposits	–	5,000	–	5,000
Cash and bank balances	4,988	3,757	2,366	1,308
	4,988	8,757	2,366	6,308





# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 13. CASH AND CASH EQUIVALENTS (CONTINUED)

For the financial year ended 31 May 2017, fixed deposits were placed for a period of 6 to 12 months and bear effective interest rates ranging from 1.15% to 1.75% per annum.

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

## 14. SHARE CAPITAL

	Group and Company			
	2018	2017	2018	2017
	Number of ordinary shares			
	'000	'000	\$'000	\$'000
<b>Issued and fully-paid:</b>				
Balance at beginning of financial year	147,328	10	13,014	10
Issuance of ordinary shares pursuant to the capitalisation of Directors' advances <sup>(i)</sup>	–	1,636	–	1,636
	147,328	1,646	13,014	1,646
Sub-division of shares <sup>(ii)</sup>	–	98,753	–	–
Issuance of ordinary shares pursuant to the conversion of redeemable convertible loans	–	12,346	–	2,339
Issuance of ordinary shares pursuant to the restructuring exercise <sup>(iii)</sup>	–	2,037	–	550
Issuance of consultancy fee shares <sup>(iv)</sup>	–	3,076	–	499
Issuance of employee shares <sup>(v)</sup>	–	116	–	37
Issuance of shares pursuant to an initial public offering exercise <sup>(vi)</sup>	–	30,000	–	8,100
Issuance of ordinary shares pursuant to the acquisition of subsidiaries <sup>(vii),(viii)</sup>	448	1,000	275	575
Issuance of ordinary shares pursuant to the acquisition of an associate <sup>(ix)</sup>	1,860	–	1,144	–
Share issue expenses <sup>(x)</sup>	–	–	–	(732)
Balance at end of financial year	149,636	147,328	14,433	13,014

<sup>(i)</sup> The Company issued 1,635,877 ordinary shares for a consideration of \$1,635,877 on 15 September 2016 by way of capitalisation of outstanding Directors' advances.

<sup>(ii)</sup> On 28 September 2016, the shareholders of the Company approved the sub-division of each existing issued ordinary share into 60 ordinary shares in the issued share capital of the Company.

<sup>(iii)</sup> Pursuant to the restructuring exercise, the Company increased its issued and fully paid-up share capital by way of allotment and issuance of 2,037,026 new ordinary shares on 25 October 2016 at an issue price of \$0.27 per ordinary share. The total share consideration of \$550,000 is a partial payment pursuant to acquisition of new subsidiaries.

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 14. SHARE CAPITAL (CONTINUED)

- (iv) On 25 October 2016, the Company increased its issued and fully paid-up share capital by way of allotment and issuance of 3,076,000 new ordinary shares at an issue price of approximately \$0.16 per share amounting to \$499,000 as payment of consultancy fee.
- (v) On 25 October 2016 and 11 January 2017, the Company increased its issued and fully paid-up share capital by way of allotment and issuance of 116,000 new ordinary shares at an issue price ranging from \$0.27 to \$0.62 per share to certain employees of the Group.
- (vi) On 1 November 2016, the Company increased its issued and fully paid-up share capital by way of allotment and issuance of 30,000,000 new ordinary shares at an issue price of \$0.27 per ordinary share for cash consideration of \$8,100,000 pursuant to an initial public offering.
- (vii) On 31 March 2017, the Company increased its issued and fully paid-up share capital by way of allotment and issuance of 1,000,000 new ordinary shares at an issue price of \$0.575 per ordinary share for consideration of \$575,000 as a partial payment pursuant to an acquisition of a subsidiary.
- (viii) On 29 June 2017, the Company increased its issued and fully paid-up share capital by way of allotment and issuance of 448,000 new ordinary shares at an issue price of \$0.615 per ordinary share for consideration of \$275,000 as a partial payment pursuant to an acquisition of a subsidiary.
- (ix) On 29 June 2017, the Company increased its issued and fully paid-up share capital by way of allotment and issuance of 1,860,000 new ordinary shares at an issue price of \$0.615 per ordinary share for consideration of \$1,144,000 as a partial payment pursuant to an acquisition of an associate.
- (x) Included in these expenses is an allocation portion of professional fees paid to the independent auditors of the Company in respect of professional services rendered as independent reporting auditors in connection with the Company's initial public offering. The allocation portion of professional fees amounted to \$40,000.

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.

## 15. TREASURY SHARES

	<b>Group and Company</b>			
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>Number of ordinary shares</b>			
	<b>'000</b>	<b>'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of financial year	–	–	–	–
Repurchased during the financial year	460	–	321	–
Balance at end of financial year	460	–	321	–

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



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 16. MERGER RESERVE

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

## 17. RETAINED EARNINGS

Movements in retained earnings of the Company are as follows:

	<b>Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of financial year	1,489	(505)
Total comprehensive income for the financial year	3,873	4,628
Dividends	(2,688)	(2,634)
Balance at end of financial year	2,674	1,489

## 18. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current liabilities</b>		
Option to re-purchase	69	36

### Conversion option - RCL

As at 1 June 2016, the fair values of conversion option of the RCL have been determined using the indicative placement price of the initial public offering and are considered as level 3 recurring fair value measurements. Significant inputs to the valuations include expected volatility rate and risk-free interest rate.

### Option to re-purchase

The fair value of the option to re-purchase represents option granted to three (2017: two) vendors for the acquired subsidiaries as disclosed in Note 6 to the financial statements as at the respective date of acquisitions and subsequently re-measured as at the end of the reporting period.

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

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### *Option to re-purchase (Continued)*

The following table represents the reconciliation for derivative financial instruments measured at fair value based on significant unobservable inputs (Level 3):

	Group and Company	
	2018 \$'000	2017 \$'000
Balance at beginning of financial year	36	1,379
Recognition of derivative financial instruments at initial recognition	33	36
De-recognition upon conversion of RCL into ordinary shares	–	(1,334)
Fair value gain on re-measurement as at reporting period included in profit or loss	–	(45)
Balance at end of financial year	69	36

## 19. PROVISIONS

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance at beginning of financial year	50	–	13	–
Provision made	14	50	–	13
Arising from acquisition of subsidiaries	20	–	–	–
Balance at end of financial year	84	50	13	13

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

## 20. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Trade payables				
- third parties	121	68	–	–
- associate	–	15	–	–
	121	83	–	–
Other payables				
- third parties	118	137	–	–
- subsidiaries	–	–	105	182
- related parties	148	178	–	–
Accrued expenses	1,808	668	564	227
Goods and services tax payable, net	248	98	77	46
Refundable deposit from customers	60	74	–	–
	2,503	1,238	746	455



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 20. TRADE AND OTHER PAYABLES (CONTINUED)

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

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

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

## 21. REDEEMABLE CONVERTIBLE LOANS

	Group and Company	
	2018	2017
	\$'000	\$'000
Balance at beginning of financial year	–	699
Interest expenses	–	306
Conversion into ordinary shares	–	(1,005)
Balance at end of financial year	–	–

On 19 October 2015, the Company entered into a convertible loan agreement (the "Loan") with the redeemable convertible loans ("RCL") lenders for an aggregate sum of \$2,000,000. The RCL shall be converted into ordinary shares at the conversion price which is at a 40% discount to the placement price upon the conversion.

The salient features of the RCL were as follows:

- (i) the RCL will mature on the day falling eighteen (18) months from the date of the Loan, or such other date as mutually agreed in writing between the Company and the lenders;
- (ii) the RCL constitute direct, general, unconditional, unsubordinated and unsecured obligations of the borrower and will rank *pari passu* without preference or priority among themselves. The payment obligations of the Company under this Loan will at all times rank (i) in priority to any Director and/or shareholder loans to the Company; and (ii) at least equally with all its other present and future unsecured and unsubordinated obligations;
- (iii) no interest shall be paid on the RCL if the initial public offering ("IPO") is completed on or before the maturity date;
- (iv) in the event that the IPO is not completed by maturity date or on the occurrence of events of defaults, the principal amount of the RCL shall be repaid upon the demand by the lenders in writing. The Company shall repay the principal amount of the RCL together with an amount of 18% per annum non-compounded, computed on the basis of a 365-day year and the actual number of days elapsed from the drawdown date to the date of repayment of the loan, over the principal amount of the RCL;
- (v) the entire RCL shall be converted into conversion shares upon the sponsor receiving the registration approval or at any time immediately after the Company has delivered to the lenders a conversion notice signed by an authorised signatory of the Company; and

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 21. REDEEMABLE CONVERTIBLE LOANS (CONTINUED)

The salient features of the RCL were as follows: (Continued)

- (vi) upon the conversion of the RCL, the obligation to repay the RCL shall be deemed to be discharged by the Company and all rights accruing to the lenders shall thereby be extinguished.

On 25 October 2016, all conversions in respect of the RCL amounting to an aggregate principal amount of \$1,005,000 and derivative financial instruments for the embedded conversion option as disclosed in Note 18 to the financial statements were completed and 12,345,674 new ordinary shares in the Company were issued to such RCL lenders at approximately \$0.162, pursuant to which, each of such RCL lenders became shareholders of the Company. Redemption of the RCL were completed on 25 October 2016, and none of the RCL remains outstanding.

## 22. BANK BORROWINGS

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

During the financial year ended 31 May 2018, the average effective interest rates per annum of the bank borrowings were ranging from 2.38% to 2.99% (2017: Nil%).

Bank borrowings are arranged at floating rates and are subject to financial covenants imposed by the bank. The interest rate risks are as discussed in Note 35.2 to the financial statements.

As at 31 May 2018, bank borrowings in respect of the term loan was not scheduled for repayment within 12 months from the end of the reporting period but were classified as current liabilities as the Group and the Company did not have the unconditional right at the end of the reporting period to defer settlement for at least 12 months after the end of the reporting period and the loan can be recalled by the bank lenders at any time even when there is no default.

The Group and the Company are up-to-date with the scheduled repayments of the term loan and do not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group and the Company continue to meet the scheduled repayments. Further details of the management of liquidity risk are set out in Note 35.3 to the financial statements.

Specific advance loan is repayable over 9 months commencing from November 2017 to August 2018 with revolving option.

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



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 22. BANK BORROWINGS (CONTINUED)

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

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Facilities granted	3,750	–
Facilities unutilised	1,500	–

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

## 23. REVENUE

Revenue represents fees charged on medical, consultancy, treatment and surgery services rendered, net of goods and services tax.

## 24. OTHER INCOME

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Allowance for impairment loss on doubtful third parties trade receivables written back	3	5
Government grants	50	61
Interest income	107	59
Others	68	85
	<b>228</b>	<b>210</b>

## 25. EMPLOYEE BENEFITS EXPENSE

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries, bonuses and other staff benefits	5,220	3,083
Contributions to defined contribution plans	440	244
	<b>5,660</b>	<b>3,327</b>

Included in the employee benefits expense were the remuneration and share-based payment of Directors of the Company and key management personnel of the Group, as set out in Note 34 to the financial statements.

The Group and the Company recognised total employee benefits expense amounting to \$Nil (2017: \$37,000) related to equity-settled share-based payment transactions during the financial year in which \$Nil (2017: \$10,000) and \$Nil (2017: \$27,000) were related to performance shares granted under PSP to an employee of the Company and the equity compensation plan to an employee of the Company respectively.

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 26. DEPRECIATION AND AMORTISATION EXPENSES

	Group	
	2018 \$'000	2017 \$'000
Depreciation of plant and equipment	350	190
Amortisation of intangible assets	12	9
	362	199

## 27. FINANCE COSTS

	Group	
	2018 \$'000	2017 \$'000
Interest expense		
- redeemable convertible loans	–	306
- bank borrowings	38	–
	38	306

## 28. 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	
	2018 \$'000	2017 \$'000
<i>Other expenses</i>		
Audit fees		
- auditors of the Company	178	124
Non-audit fees		
- auditors of the Company	–	–
Allowance for impairment loss on doubtful third parties trade receivables	–	37
Loss arising from deemed disposal in an associate	147	–
Locum fee	177	135
Third parties trade receivables written off	18	14
Initial public offering expenses*	–	1,258
Inventories written off	2	–
Plant and equipment written off	2	–
Professional fees	492	218

\* Included in these expenses were professional fees paid to the external auditors of the Company amounting to \$80,000 in respect of an allocated portion of professional services rendered as independent reporting auditors in connection with the Company's initial public offering. The other portion of the professional fees rendered as independent reporting auditors, amounting to \$40,000 was charged to share issue expenses under share capital.



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 29. INCOME TAX EXPENSE

	Group	
	2018 \$'000	2017 \$'000
Current income tax		
- current financial year	629	312
- over provision in prior financial years	(149)	(56)
	480	256
Deferred tax		
- current financial year	9	17
- under provision in prior financial year	64	-
	73	17
Total income tax expense recognised in profit or loss	553	273

### Reconciliation of effective income tax rate

	Group	
	2018 \$'000	2017 \$'000
Profit before income tax	6,067	1,537
Share of results of an associate, net of tax	(572)	-
	5,495	1,537
Income tax calculated at Singapore's statutory income tax rate of 17% (2017: 17%)	934	261
Tax effect of non-deductible expenses for income tax purposes	73	291
Tax effect of income not subject to income tax	(1)	(13)
Tax effect of tax exempt income	(216)	(129)
Enhanced deduction and rebates	(5)	-
Deferred tax assets not recognised	13	84
Corporate tax rebate and incentive	(141)	(118)
Over provision of current income tax in prior financial years	(149)	(56)
Under provision of deferred tax in prior financial years	64	-
Utilisation of deferred tax assets not previously recognised	(31)	(27)
Others	12	(20)
	553	273

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 29. INCOME TAX EXPENSE (CONTINUED)

### Unrecognised deferred tax assets

	Group	
	2018 \$'000	2017 \$'000
Balance at beginning of financial year	83	54
Adjustment resulting from change in temporary differences	(9)	(28)
Amount not recognised in profit or loss	13	84
Utilisation of unrecognised deferred tax assets	(31)	(27)
Balance at end of financial year	56	83

Unrecognised deferred tax assets are attributable to the following temporary differences computed at statutory income tax rate of 17% (2017: 17%):

	Group	
	2018 \$'000	2017 \$'000
Accelerated tax depreciation	15	1
Unutilised tax losses	39	80
Others	2	2
	56	83

As at 31 May 2018, the Group has unutilised tax losses of \$228,000 (2017: \$472,000) 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 2.21 to the financial statements.

## 30. EARNINGS PER SHARE

The calculation for earnings per share is based on:

	Group	
	2018	2017
Profit attributable to owners of the parent (\$'000)	4,464	1,308
Weighted average number of ordinary shares in issue during the financial year applicable to earnings per share ('000)	149,205	126,889
Earnings per share (in cents)		
- Basic	2.99	1.03
- Diluted	2.99	1.03



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 30. EARNINGS PER SHARE (CONTINUED)

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 2018 and 31 May 2017 divided by the weighted average number of ordinary shares in relevant periods.

The diluted earnings per share for the relevant periods are the same as the basic earnings per share as the Group does not have any dilutive options for the relevant periods.

## 31. DIVIDENDS

	Group	
	2018	2017
	\$'000	\$'000
Final tax exempt dividend of \$0.007 per ordinary share for financial year ended 31 May 2017	1,047	–
First interim tax exempt dividend of \$0.018 per ordinary share for financial year ended 31 May 2017	–	2,634
First interim tax exempt dividend of \$0.011 per ordinary share for financial year ended 31 May 2018	1,641	–
	2,688	2,634

The Board of Directors proposed that a final dividend of \$0.010 (2017: \$0.007) per ordinary share amounting to \$1,492,000 (2017: \$1,047,000) to be paid for the financial year ended 31 May 2018. 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.

## 32. CAPITAL COMMITMENTS

On 7 May 2018, the Company entered into a sale and purchase agreement for the acquisition of 51% of the issued and fully paid-up share capital in Jason Lim Endoscopy and Surgery Pte. Ltd. ("JLES"). The consideration for the acquisition amounted to \$832,000, of which \$628,000 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 \$150,000 was paid as disclosed in Note 11 to the financial statements and the acquisition is not completed. As a result, the purchase consideration of \$682,000 is contracted for but not provided in the financial statements.

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 33. OPERATING LEASE COMMITMENTS

### *The Group and the Company as lessee*

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

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

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Within one financial year	892	963	144	231
After one financial year but within five financial years	824	1,384	114	126
	1,716	2,347	258	357

### *The Company as lessor*

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

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

	Company	
	2018	2017
	\$'000	\$'000
Within one financial year	96	168
After one financial year but within five financial years	30	126
	126	294

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



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 34. 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 related parties during the financial year:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>With associates</b>				
Management fee income	12	12	12	12
Services rendered income	238	188	–	–
Services rendered expense	114	130	–	–
<b>With subsidiaries</b>				
Expenses paid on behalf of	–	–	3,493	1,529
Management fee income	–	–	2,009	1,913
Advances from	–	–	4,905	2,630
Advances to	–	–	186	1,399
Dividend income	–	–	3,659	6,224
<b>With related parties</b>				
Rental expense*	494	434	75	84
Advances from	79	–	–	–
<b>With Director of subsidiaries</b>				
Advances from	69	49	–	–

\* Rental expense relates to future minimum lease payable with related parties under non-cancellable operating leases contracted for but not recognised as liabilities have been included under Note 33 to the financial statements.

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 34. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel are directors of the Company 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 during the financial years ended 31 May 2018 and 31 May 2017 were as follows:

	Group	
	2018 \$'000	2017 \$'000
Directors of the Company		
- short-term employee benefits	1,197	809
- post-employment benefits	31	26
- Director's fees	100	66
	1,328	901
Other key management personnel		
- short-term employee benefits	529	386
- post-employment benefits	52	50
	581	436
	1,909	1,337

## 35. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Group's and the Company's activities expose them to credit risks, liquidity risks and interest rate risks 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 seek to minimise adverse effects from the volatility of financial markets on the Group's and the Company's financial performance.

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

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which the risks are managed and measured. The Group and the Company do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange rates.

### 35.1 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.



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 35. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

### 35.1 Credit risks (Continued)

The Group and the Company do not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics, except as follows:

- (i) the Company's trade receivables from subsidiaries which represent 2% (2017: 17%) of total trade and other receivables.
- (ii) the Company's non-trade amounts due from subsidiaries which represent 86% (2017: 70%) of total trade and other receivables.
- (iii) the Group's and the Company's non-trade amount due from investee company which represents Nil% (2017: 28%) and Nil% (2017: 10%) of total trade and other receivables respectively.

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

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

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group and the Company.

Bank deposits are mainly deposits with reputable banks with minimum risk of default.

As at the end of the reporting period, the age analysis of trade receivables past due but not impaired is as follows:

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

### 35.2 Market risks

#### *Interest rate risks*

The Group's exposure to market risks for changes in interest rates relates primarily to interest-bearing borrowings as shown in Note 22 to the financial statements.

The Group's results are affected by changes in interest rates due to the impact of such changes on interest expenses from interest-bearing borrowings which are floating interest rates. It is the Group's policy to obtain quotes from reputable banks to ensure that the most favourable rates are made available to the Group.

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 35. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

### 35.2 Market risks (Continued)

#### *Interest rate sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rate risks for financial liabilities at the end of the reporting period. For financial liabilities subject to floating interest rates, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. The sensitivity analysis assumes an instantaneous 0.5% (2017: Nil%) change in the interest rates from the end of the reporting period, with all variables held constant.

If the interest rate increases or decreases by 0.5% (2017: Nil%), the Group's profit or loss will decrease or increase by:

	Profit or loss	
	2018	2017
	\$'000	\$'000
Borrowings	11	–

### 35.3 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 2018

## 35. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

### 35.3 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.

	<b>Within one financial year \$'000</b>	<b>After one financial year but within five financial years \$'000</b>	<b>Total \$'000</b>
<b>Group</b>			
<b>2018</b>			
<b><u>Financial liabilities</u></b>			
Trade and other payables	2,255	–	2,255
Bank borrowings	1,787	506	2,293
Total undiscounted financial liabilities	4,042	506	4,548
<b>2017</b>			
<b><u>Financial liabilities</u></b>			
Trade and other payables	1,140	–	1,140
Total undiscounted financial liabilities	1,140	–	1,140
<b>Company</b>			
<b>2018</b>			
<b><u>Financial liabilities</u></b>			
Trade and other payables	669	–	669
Bank borrowings	1,787	506	2,293
Total undiscounted financial liabilities	2,456	506	2,962
<b>2017</b>			
<b><u>Financial liabilities</u></b>			
Trade and other payables	409	–	409
Total undiscounted financial liabilities	409	–	409

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## **35. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)**

### **35.4 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 consists of equity attributable to owners of the parent, comprising issued share capital, treasury shares, merger reserve and retained earnings as disclosed in Notes 14, 15, 16 and 17 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 2017 and 31 May 2018.

The Group and the Company are subject to and have complied with financial covenants as disclosed in Note 22 to the financial statements for the financial year ended 31 May 2018. The Group and the Company are not subject to externally imposed capital requirements for the financial year ended 31 May 2017.

### **35.5 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).



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 35. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

### 35.5 Fair value of financial assets and financial liabilities (Continued)

*Fair value of financial instruments that are not carried at fair value*

The carrying amounts of the current financial assets and current financial liabilities that are not carried at fair value approximate their respective fair values as at the end of the reporting period due to the relatively short-term maturity of these financial instruments. The carrying amounts of the bank borrowings approximate their fair values as they are subject to floating interest rates.

The fair value of the quoted debt securities which are held to maturity is disclosed in Note 8 to the financial statements.

*Fair values of financial instruments carried at fair value*

The table below classified financial instruments carried at fair value by level of fair value hierarchy as at the end of the reporting period:

	Fair value measurements using			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2018</b>				
<b>Financial assets</b>				
Available-for-sale financial assets	–	–	1,028	1,028
<b>Financial liabilities</b>				
Derivative financial instruments	–	–	69	69
<b>2017</b>				
<b>Financial assets</b>				
Available-for-sale financial assets	–	–	536	536
<b>Financial liabilities</b>				
Derivative financial instruments	–	–	36	36

The carrying amount of available-for-sale financial assets is disclosed on the face of statements of financial position and in Note 9 to the financial statements.

There were no transfers between levels during the financial year and no changes in the valuation techniques (except for those disclosed in Note 9) of the various classes of assets and financial liabilities during the financial years ended 31 May 2018 and 31 May 2017.

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 35. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

### 35.5 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 FRS 113 *Fair Value Measurement guidance*.

For valuations performed by external valuation experts, 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.

### 35.6 Categories of financial instruments

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

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Financial assets</b>				
Held-to-maturity financial assets	2,000	–	2,000	–
Available-for-sale financial assets	1,028	536	1,028	536
Loans and receivables	6,696	9,865	5,340	10,037
	9,724	10,401	8,368	10,573
<b>Financial liabilities</b>				
Financial liabilities designated at fair value through profit or loss	69	36	69	36
Other financial liabilities, at amortised cost	4,505	1,140	2,919	409
	4,574	1,176	2,988	445



# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 36. SEGMENT INFORMATION

### Business segment

The Group primarily operates in one business segment, which is the healthcare segment. Accordingly, no segmental information is prepared based on business segment as it is not meaningful.

### Geographical information

During the financial year ended 31 May 2018, the Group operated mainly in Singapore and all non-current assets were located in Singapore. Accordingly, an analysis of non-current assets and revenue of the Group by geographical distribution has not been presented.

### Major customers

The Group's customers comprise mainly individual patients. The Group is not reliant on any individual or corporate customer for its revenue and no one single customer accounted for 10% or more of the Group's total revenue for each of the reporting period.

## 37. EVENTS AFTER THE REPORTING PERIOD

37.1 On 4 June 2018, Heah Sieu Min (Paragon) Pte. Ltd. was struck off by the Accounting and Corporate Regulatory Authority ("ACRA"). The Company has since derecognised the subsidiary.

37.2 Acquisition of Jason Lim Endoscopy and Surgery Pte. Ltd. ("JLES")

As disclosed in Note 32 to the financial statements, the Company had entered into a sale and purchase agreement but the acquisition of the equity interest in JLES is not completed at the end of the reporting period. Management determined that the Group obtained control over JLES after the end of the reporting period and hence, did not recognise it as a subsidiary.

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 FRS 103 *Business Combinations* as the fair value of the net assets of the acquiree are not determinable as at the date of this report.

From the date of acquisition to date of authorisation of financial statements, JLES does not have revenue or profit before tax contribution to the Group. 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.

The Company paid cash consideration of \$478,000 to the vendor on 13 August 2018. The Company also reissued 300,000 treasury shares of the Company to the vendor as satisfaction of the consideration shares under the sale and purchase agreement.

37.3 On 23 July 2018, the Company acquired 300,000 of its ordinary shares amounting to \$201,000 through purchases in the open market. These shares are held as 'treasury shares'.

37.4 On 7 August 2018, SHL Group Pte. Ltd. submitted application to ACRA for striking off.

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

## 38. COMPARATIVE FIGURES

### 38.1 The prior year's comparative figures have been reclassified for the following:

- (i) In the current financial year, the management carried out an assessment for classification of amount due from HSN of \$928,000 of which \$436,000 was included in other receivables as at 31 May 2017 as disclosed in Note 9 to the financial statements. The management is of the view that the amount is quasi-equity in nature therefore the receivables should form part of the investment in available-for-sale financial asset, instead of advances in other receivables. Consequently, reclassification was made from other receivables to available-for-sale financial assets. As a result, management also re-measure the fair value of available-for-sale financial asset using a recent transacted pricing approach.
- (ii) Certain other reclassifications have been made to the prior year's financial statements to enhance the comparability with current financial year's financial statements.

As a result of the above, certain line items have been amended in the statements of financial position, consolidated statement of comprehensive income, consolidated statement of cash flows and the related notes to the financial statements as set out below:

	<b>2017</b>	<b>2017</b>
	<b>As previously reported</b>	<b>As reclassified</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Statements of financial position</b>		
<b>Group</b>		
Available-for-sale financial assets	100	536
Trade and other receivables	1,544	1,108
<b>Company</b>		
Available-for-sale financial assets	100	536
Trade and other receivables	4,165	3,729
<b>Consolidated statement of comprehensive income</b>		
Operating lease expenses	-	(835)
Other expenses	(3,294)	(2,459)
<b>Consolidated statement of cash flows</b>		
Net cash from operating activities	838	1,274
Net cash used in investing activities	(3,790)	(3,726)



# Statistics of Shareholdings

AS AT 23 AUGUST 2018

## SHARE CAPITAL

Class of Shares	: Ordinary Shares
Number of issued and paid-up shares (excluding Treasury Shares)	: 149,175,730
Number of Treasury Shares	: 459,900
Number of subsidiary holdings	: -
Number (Percentage) of Treasury Shares to total number of issued shares excluding Treasury Shares*	: 0.31%
Voting rights (excluding Treasury Shares)	: One vote per ordinary share

\* The Company does not have any subsidiary holdings.

## DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings			No. of Shareholders	%	No. of Shares	%
1	-	99	0	0.00	0	0.00
100	-	1,000	33	10.09	22,100	0.01
1,001	-	10,000	115	35.17	726,600	0.49
10,001	-	1,000,000	165	50.46	18,508,578	12.41
1,000,001	and	above	14	4.28	129,918,452	87.09
Total			327	100.00	149,175,730	100.00

# Statistics of Shareholdings

AS AT 23 AUGUST 2018

## LIST OF 20 LARGEST REGISTERED SHAREHOLDERS

No.	Name	No. of Shares	%
1	DR. HEAH SIEU MIN	42,659,320	28.60
2	RAFFLES NOMINEES (PTE) LTD	35,827,224	24.02
3	DR. CHIA KOK HOONG	23,168,960	15.53
4	DBS NOMINEES PTE LTD	5,165,700	3.46
5	KGI SECURITIES (SINGAPORE) PTE LTD	3,705,800	2.48
6	LEO TING PING RONALD	3,415,629	2.29
7	SHINE VENTURE CAPITAL PTE LTD	3,341,100	2.24
8	HONG LEONG FINANCE NOMINEES PTE LTD	3,248,700	2.18
9	YEO KHEE SENG BENNY	2,899,309	1.94
10	CHUA CHIN HENG ALAN	1,799,000	1.21
11	CHARLES TAN TSE KUANG (CHARLES CHEN SIGUANG)	1,481,481	0.99
12	APEX CAPITAL GROUP PTE LTD	1,270,000	0.85
13	UOB KAY HIAN PTE LTD	1,188,500	0.80
14	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	1,118,100	0.75
15	LIM KHAI (LIN KAI)	1,000,000	0.67
16	CITIBANK NOMINEES SINGAPORE PTE LTD	925,600	0.62
17	LYE KHENG LENG LAWRENCE (LAI QINGLONG LAWRENCE)	800,000	0.54
18	ONG KIAN PENG (WANG JIANBIN)	750,000	0.50
19	MAYBANK KIM ENG SECURITIES PTE LTD	651,300	0.44
20	LAI JIUNN HERNG	625,555	0.42
Total:		135,041,278	90.53

## 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 <sup>(1)</sup>	42.90	-	-
Dr. Chia Kok Hoong	34,753,440 <sup>(2)</sup>	23.30	-	-

<sup>(1)</sup> 21,329,660 shares were held through Raffles Nominees (Pte) Ltd.

<sup>(2)</sup> 11,584,480 shares were held through Raffles Nominees (Pte) Ltd.

## SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 23 August 2018, approximately 30.96% 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 Catalyst is complied with.





# Notice Of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the Company will be held at 180 Island Club Road, Level 3 Ballroom 3, The Singapore Island Country Club, Singapore 578774 on Thursday, 27 September 2018 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 2018 and the Directors' Statement and the Auditor's Report thereon.  
*(Please see explanatory note 1)*
2. To re-elect the following Directors who are retiring in accordance with the provisions of the Company's Constitution:-
  - (a) Dr. Heah Sieu Min (pursuant to Regulation 97) **(Resolution 1)**  
*(Please see explanatory note 2)*
  - (b) Dr. Chia Kok Hoong (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 2018 (2017: S\$66,666/-).  
**(Resolution 3)**
4. To declare a final dividend (tax-exempt one-tier) of S\$0.01 per ordinary share for the financial year ended 31 May 2018 (2017: S\$0.007 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)**

## **AS SPECIAL BUSINESS**

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

### **6. Authority to allot and issue shares**

"That, pursuant to Section 161 of the Companies Act, Chapter 50 ("Companies Act"), and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist ("Catalist Rules"), approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

- (a) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;
- (b) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;
- (c) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and
- (d) (Notwithstanding the authority conferred by the Shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force, provided always that:

# Notice Of Annual General Meeting

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- (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 percent (50%) of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, and (subject to such manner of calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares that may be issued under this paragraph) for the purpose of this resolution, the issued share capital shall be the Company's total number of issued shares excluding treasury shares and subsidiary holdings at the time this resolution is passed, after adjusting for:
  - (a) new shares arising from the conversion or exercise of convertible securities, or
  - (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules, and
  - (c) any subsequent bonus issue, consolidation or subdivision of the Company's shares;
- (ii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (iii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next annual general meeting ("AGM") or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier."

**(Resolution 6)**

*(Please see explanatory note 4)*

7. Authority to offer and grant share awards and to allot and issue shares pursuant to the HC Surgical Specialists Limited Performance Share Plan (the "HCSS Performance Share Plan").

"That:

- (a) authority be and is hereby given to the Directors of the Company to offer and grant share awards in accordance with the HCSS Performance Share Plan; and
- (b) approval be and is hereby given to the Directors to exercise full powers of the Company to allot and issue from time to time such number of shares as may be required to be allotted and issued pursuant to the award of shares under the HCSS Performance Share Plan,

provided that the aggregate number of shares to be issued pursuant to the HCSS Employee Share Option Scheme and the HCSS Performance Share Plan shall not exceed 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)*



# Notice Of Annual General Meeting

8. Authority to offer and grant options and to allot and issue shares pursuant to the HC Surgical Specialists Limited Employee Share Option Scheme (the "HCSS Employee Share Option Scheme").

"That:

- (a) authority be and is hereby given to the Directors of the Company to offer and grant options in accordance with the provisions of the HCSS Employee Share Option Scheme; and
- (b) approval be and is hereby given to the Directors to exercise full powers of the Company to allot and issue from time to time such number of shares in the Company as may be required to be issued pursuant to the exercise of the options under the HCSS Employee Share Option Scheme,

provided that the aggregate number of shares to be issued pursuant to the HCSS Employee Share Option Scheme and the HCSS Performance Share Plan shall not exceed 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)*

9. **The Proposed Renewal of the Share Buy-Back Mandate**

That:

- (a) for the purposes of the Catalist Rules and the Companies Act, the Directors be and are hereby authorised to exercise all the powers of the Company to purchase or acquire its issued and fully paid-up Shares representing not more than 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:
  - (i) an on-market purchase ("Market Purchase"), transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or
  - (ii) an off-market purchase ("Off-Market Purchase"), effected otherwise than on the SGX-ST pursuant to an equal access scheme in accordance with Section 76C of the Companies Act,

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the Catalist Rules as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buy-Back Mandate");

- (b) unless varied or revoked by the Shareholders in a general meeting, purchases or acquisitions of Shares pursuant to the proposed Share Buy-Back Mandate may be made, at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:
  - (i) the date on which the next AGM of the Company is held or required by law to be held;
  - (ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated; or
  - (iii) the date on which the authority conferred by the Share Buy-Back Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest.

# Notice Of Annual General Meeting

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(c) in this Resolution:

**"Maximum Price"**, in relation to a Share to be purchased or acquired, means the purchase price (including brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

- (i) in the case of a Market Purchase, 105 per cent (105%) of the Average Closing Price (as defined below); and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120 per cent (120%) of the Average Closing Price, where:

**"Average Closing Price"** means the average of the closing market prices of the Shares over the last five (5) Market Days, on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made, or as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days period;

**"day of the making of the offer"** means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/ or authorised by this Resolution."

**(Resolution 9)**

*(Please see explanatory note 6)*

BY ORDER OF THE BOARD

Lin Moi Heyang  
Company Secretary

Singapore, 12 September 2018



# Notice Of Annual General Meeting

## Explanatory Notes:-

1. This Agenda is meant for discussion only as under the provisions of Section 201 of the Companies Act, Chapter 50 and Article 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 page 20 in the Annual Report. Dr. Heah Sieu Min will, upon re-election as a Director of the Company, remain as the Executive Director and CEO.
3. The key information of Dr. Chia Kok Hoong can be found on page 21 in the Annual Report. Dr. Chia Kok Hoong will, upon re-election as a Director of the Company, remain as the Executive Director and Medical Director.
4. The ordinary resolution 6 above is to authorise the Directors of the Company from the date of the above Meeting until the next AGM to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 100 percent of the issued share capital of the Company of which the total number of shares and convertible securities issued other than on a *pro-rata* basis to existing Shareholders shall not exceed 50 percent of the issued share capital of the Company (excluding treasury shares and subsidiary holdings) at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next AGM of the Company.
5. The ordinary resolutions 7 and 8 above are to authorise the Directors of the Company to offer and award shares pursuant to the HCSS Performance Share Plan as well as grant options under the HCSS Employee Share Option Scheme, provided that the aggregate number of shares to be issued shall not exceed 15% of the Company's issued shares, excluding treasury shares in the capital of the Company from time to time.
6. The ordinary resolution 9 above is to authorise the Directors from the date of the above AGM until the date of the next AGM, or the date by which the next AGM of the Company is required by law to be held or the date on which such authority is revoked or varied by the Shareholders in a general meeting, whichever is the earliest, to purchase up to ten per cent (10%) of the total number of issued Shares in the share capital of the Company (excluding treasury shares and subsidiary holdings). Please refer to the Appendix to this Annual Report for details.

## NOTES:

Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "Act"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company.

Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road, #02-00, Singapore 068898, not later than 72 hours before the time set for the holding of the Annual General Meeting.

# Notice Of Annual General Meeting

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## **Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agent) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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**HC SURGICAL SPECIALISTS LIMITED**

(the "Company")

(Incorporated in the Republic of Singapore)

(Company Registration No. 201533429G)

**IMPORTANT:**

1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), Relevant Intermediaries may appoint more than two (2) proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their SRS monies to buy shares in the Company, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. SRS investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks as proxies for the Annual General Meeting.

**PROXY FORM**

ANNUAL GENERAL MEETING

\*I/We \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport Number) of \_\_\_\_\_ (Address) being a member/members of HC Surgical Specialists Limited (the "Company"), hereby appoint:

Name	NRIC/ Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/ Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the **Chairman of the Meeting**, as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 180 Island Club Road, Level 3 Ballroom 3, The Singapore Island Country Club, Singapore 578774 on Thursday, 27 September 2018 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolution proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her discretion, as he/they may on any other matter arising at the AGM.

**(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided)**

No.	Ordinary Resolutions	No. of Votes For*	No. of Votes Against*
1.	Re-election of Dr. Heah Sieu Min as Director		
2.	Re-election of Dr. Chia Kok Hoong as Director		
3.	Directors' Fees of S\$100,000/- for the financial year ended 31 May 2018 (2017: S\$66,666/-)		
4.	Declaration of final dividend (tax-exempt one-tier) of S\$0.01 per ordinary share for the financial year ended 31 May 2018 (2017: S\$0.007 per ordinary share)		
5.	Re-appointment of Messrs BDO LLP as Auditors of the Company		
6.	Authority to issue ordinary shares		
7.	Authority to issue shares under the HCSS Performance Share Plan		
7.	Authority to issue shares under the HCSS Employee Share Option Scheme		
8.	Proposed Renewal of the Share Buy-Back Mandate		

\* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick [✓] within the relevant box provided. Alternatively, if you wish to exercise your votes for both "For" and "Against" the relevant resolution, please indicate the number of shares in the relevant boxes provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

Total number of Shares held:	No. of Shares
(a) CDP Register	
(b) Register of members	

\_\_\_\_\_  
Signature/Common Seal of Member(s)**IMPORTANT: PLEASE READ NOTES OVERLEAF**

**NOTES:**

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "Act"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company.
2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
4. A corporation which is a member of the Company may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Constitution and Section 179 of the Act.
5. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notorially certified copy thereof, must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road, #02-00, Singapore 068898, not later than 72 hours before the time set for the holding of the Annual General Meeting.
6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the holding of the Annual General Meeting.

**PERSONAL DATA PRIVACY:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 12 September 2018.



## **HC Surgical Specialists Limited**

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