HC SURGICAL SPECIALISTS LIMITED

SURGERY TO THE GUT SERVICE FROM THE HEART

ANNUAL REPORT 2022

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

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

The contact person for the Sponsor is Mr. Pong Chen Yih, Chief Operating Officer, at 7 Temasek Boulevard, #18-03B Suntec Tower 1, Singapore 038987, telephone (65) 6950 2188.

CORPORATE PROFILE

HC Surgical Specialists Limited operates a wide network of clinics and endoscopy centres throughout Singapore, providing specialist healthcare at your doorstep in both residential areas and central areas, making it conveniently accessible, with less 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. Our clinics are also Medisave and Medishield Life accredited, enabling us to further enhance our services to our patients.

CHAIRMAN'S MESSAGE

"With COVID-19 pandemic situation now under control, many countries have opened up their borders, and life is pretty much back to pre-pandemic mode. HCSS will continue to expand our network of specialists and centres both locally and regionally as the opportunity arises."

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

On behalf of the Directors and Management of HC Surgical Specialists Limited ("**HCSS**" or "**Company**", and together with its subsidiaries, collectively, the "**Group**"), I am pleased to present the Annual Report for HCSS for the financial year ended 31 May ("**FY**") 2022.

FY2022 started on the back of an exceptionally good FY2021 performance, which was due to a pent-up demand after the circuit breaker measures were lifted on 2 June 2020. However, it was a period when the nation saw record high COVID-19 cases and deaths as we transited to living with COVID-19 pandemic before the situation came under control towards the end of FY2022. The global situation was not stable either, with the Russia-Ukraine war, and twin concerns of high inflation and the threat of a global recession. The Group's performance was affected as the number of patients seeking elective medical treatment decreased, and even more so when COVID-19 restrictions were lifted and borders restrictions were eased towards the end of FY2022, as many opted for overseas travel.

Nonetheless, the Group remained focused on its provision of medical services. During FY2022, the Group (i) acquired the remaining 49% stake in Jason Lim Endoscopy and Surgery Pte. Ltd. ("**JLES**") in August 2021; (ii) acquired the remaining 49% stake in Medical L & C Services Pte. Ltd. ("**MLCS**") in September 2021, thereby owning 100% of both JLES and MLCS; (iii) carried out an internal restructuring and closed Mount Alvernia and Dleedon clinics; (iv) converted S$625,000 worth of convertible bonds to shares in Nuffield Dental Holdings Private Limited in October 2021; and (v) signed a tenancy for a new centre in the east of Singapore in May 2022. These are steps taken to yield long-term benefits for the Group.

MOVING FORWARD

Moving forward, we are delighted to start the new financial year with the contract entered with AIA Singapore Private Limited ("**AIA Singapore**") for another three-year term. With COVID-19 pandemic situation now under control, many countries have opened up their borders, and life is pretty much back to pre-pandemic mode. HCSS will continue to expand our network of specialists and centres both locally and regionally as the opportunity arises.

APPRECIATION

Last but not least, I would like to take this opportunity to thank our Shareholders, patients and business partners for their unwavering support to HCSS, my fellow Directors for their valuable insights throughout the past years, and the staff and Management for their dedication and commitment.

CEO'S STATEMENT

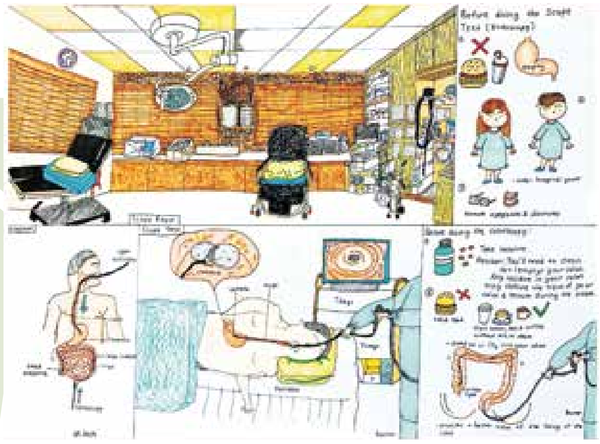
> Every successful entrepreneur will have had to get past setbacks (some seemingly insurmountable) and the spirit that is common in all of them, or dare I say, us, is that we are always moving forward with relentless spirit.

The past financial year (**June 2021 - May 2022**) has been both eventful and challenging! We entered into this financial year following the year of record profits (**June 2020 - May 2021**), whilst the pandemic raged on. Then came the Ukraine war in February 2022 when Russia invaded Ukraine. This prompted a series of sanctions by the United States of America and its allies in the European Union, culminating in rising oil and gas prices and disruptions in supply chains. In addition, the zero COVID-19 policy adopted by China further amplified the supply chain disruption through closure of its ports and borders to the transportation of goods. As a result, the delivery of goods has been rerouted through other countries, causing delays and increased prices. In addition, the US Federal reserve is attempting to starve off a looming global recession by increasing interest rates. Although a recession is not imminent, every prudent investor or entrepreneur may be well advised to factor in this possibility into their business ventures. In the medical arena, medical equipment, drugs and consumables, and facility costs have not escaped the climbing prices.

There is currently an unprecedented (at least in my 30 years experiences) shortage of operating room, endoscopy room and ward bed availability in all hospitals in Singapore both in private and restructured hospitals. The waiting list for non-emergency (elective) surgery cases can be as long as 2 weeks. This situation appears to

CEO'S STATEMENT

"In my experience, entrepreneurship is not about how you manage success but how you get up and move past failures which defines you as successful."



be due to 2 main factors: (1) the need to dedicate wards to care for COVID-19 patients (hence the pressure on beds), and (2) the exodus of foreign medical staff (nurses and other support staff) gradually reducing the hospital staff count over the past 2.5 years since COVID-19 struck. The reasons for foreign staff leaving (as I have learned anecdotally) are by and large personal; wanting to be with their family and loved ones (having not seen them at all during the pandemic period) is the most frequently quoted reasons that I have heard.

Hence, with such seemingly tumultuous challenges, is it all "Doom and Gloom"? The reply is emphatically No! Quite the contrary, with every setback or negative situation, opportunities abound. Hence the more important question to answer is whether you recognise the opportunities and whether you have positioned yourself to seize them as they come? Every successful entrepreneur will have had to get past setbacks (some seemingly insurmountable) and the spirit that is common in all of them, or dare I say, us, is that we are always moving forward with relentless spirit. There is no time to be standing still or backtracking. In my experience, entrepreneurship is not about how you manage success but how you get up and move past failures which defines you as successful. When you are successful, there will be many who will help you manage your "success". In equal measure, when you fail, there will be hardly a person that you can count on who will help you. The adage that it is lonely when you are "on top" should be followed by it is far lonelier being "at the bottom".

CEO'S STATEMENT

So how have we in HCSS managed through these challenging times?

1. PREPARE BEFOREHAND
2. SEIZE WHILST YOU CAN
3. BE A GENTLEMAN
4. MOVING FORWARD WITH A STAND

1. PREPARE BEFOREHAND:

a) Endoscopy Centres: Currently we operate 11 endoscopy centres located in central and residential areas of Singapore: Mt Elizabeth Medical Centre, Farrer Park Hospital, Novena Medical Centre, Camden Medical Centre, Bukit Batok, Hillford, Ang Mo Kio, Ghim Moh, Toa Payoh, Tampines and Anchorvale. At the time of writing, construction of an endoscopy centre in the East is ongoing. We look forward to announcing the opening of this centre by the fourth quarter of 2022.

   The presence of our centres provides us with locations where we are able to perform endoscopies and minor surgery during a period when there are long waiting times to do so in hospitals (for reasons mentioned above). It allows costs control as well as the provision of efficiently delivered service in a safe and exclusive setting to each and every patient. I believe that these centres were the cornerstone in which HCSS was able to tender successfully for the appointment by AIA Singapore for colonoscopy screening for another 3 consecutive years (see below).

b) Doctors: We currently have 6 specialists working out of the abovementioned locations in a co-ordinated and efficient manner.

c) Development of Staff (nurse and administration): We are fortunate in being supported by a team of motivated, dedicated nursing, administration and finance staff. This is the backbone of any successful company. Specifically, the work includes medical and surgical, finance and accounts, administrative (insurance claims, medisave), and IT.

d) Development of IT: We have a responsibility not only to keep patients physically safe but to keep their medical information secure as well. Hence, much focus has been directed to adherence to the Personal Data Protection Act. We have therefore revamped and continually upgraded our information technology into a robust system to match up to the requirements of a medical company. This is not just required by law but has rightly become a mandatory requirement in virtually all contracts concerning medical insurance with integrated shield plans.

e) Insurance Panels (Medisave accreditation): I have always held the view that being on insurance panels (with and without integrated shield plans) are beneficial to the insurance companies, patients and us (previously mentioned in the 2021 CEO message). It provides a cost-efficient seamless service whereby agents, doctors, nurses and administrators work together for the improvement of patients' health and wellbeing. Although it is currently still a work in progress, improvements are underway to ensure service provided to patients are delivered safely, conveniently and effectively whilst reining in costs as far as possible. By being on insurance panels, we are included in a big team to service a huge pool of patients which has always been our mission at HCSS.

2. SEIZE WHILST YOU CAN:

a) Colonoscopy screening with AIA Singapore patients: "HC Surgical and AIA Singapore enter into Collaboration Appointment for Second Term". HCSS has been appointed by AIA Singapore, for a second 3-year term, to provide quality health services for eligible insured clients commencing 1 July 2022.

   Through this appointment, AIA Singapore will provide complimentary screening colonoscopy as part of its Early Detection Screening Benefit for eligible customers under AIA Max Essential A Saver, AIA Max VitalHealth A, AIA Max Essential A or AIA Max VitalCare as part of their efforts to help customers play a more active role in managing their health in the long term.

CEO'S STATEMENT

HCSS has been providing colonoscopy screening services for eligible customers in AIA Singapore since April 2019 (3 years and 3 months). We are honoured to be appointed the health service provider for this benefit for the consecutive 3-year term and will continue to give our best towards the continued success of this important project.

Colorectal cancer is the most common cancer among men and the second most common cancer among women in Singapore. There were approximately 11,689 individuals diagnosed with colorectal cancer between 2015-2019[1] compared to 9,807 cases between 2011-2015[2], an increase of approximately 19%. HCSS has always lived by its motto of "Early Detection, Early Cure". We are delighted to work with AIA Singapore towards a common goal of raising awareness and encouraging early screening for colorectal cancer. Our endoscopy centres in central and the heartlands of Singapore look forward to providing this service with compassion, dedication and convenience at the patients' doorstep.

This collaboration is expected to generate an additional recurring revenue stream for HCSS.

b) As the global COVID-19 pandemic situation comes under control mostly due to successful nationwide mass vaccination programmes, countries have begun to open its borders (with China being a notable exception due to their persistence in maintaining a zero COVID-19 policy). Singapore too has opened its borders in addition to relaxation of COVID-19 curbs. This allows foreign patients to enter Singapore to seek quality medical service. HCSS has treated an increasing number of foreign patients and benefitted from their arrivals. We will continue to engage with our partners to provide seamless service to this important pool of patients.

c) Medical equipment and drugs prices are increasing due to inflation and supply chain disruptions: Purchase of personal protection gear (masks, gloves, gown) are at unprecedented levels. Cost containment can be achieved through economy of scale (bulk purchases), efficiency of service, and cutting down wastage (use well before expiry dates).

3. BE A GENTLEMAN:

a) We, doctors often lament (justifiably or otherwise) that patients are very demanding; saying that they complain about the smallest and every detail. However, we must not forget that we are arguably in the only profession in which patients literally put their lives in our hands. Hence one can say that whilst it may be "medical science" that "cures" the patient, it is "medical art" which "heals" them. Many patients see technological and medical advancements as instruments which will treat them, forgetting that (today at least), it still requires a human being to direct the technology. Even "robotic surgery" requires a human (surgeon) to control the arm movements. Hence no matter how "high tech" sounding, you can assume that a human with the acquired skills must be "behind the wheel". Sick patients understandably worry about their medical conditions and wonder whether all available methods are considered to treat them. Furthermore, the "latest tech" is not always necessarily the best method to treat a given condition. Therefore, patients rely on doctors to provide the relevant information in order to decide on the course of action and hence, be able to give informed consent to be treated. Doctors should bear in mind that the patient is entitled to ask questions for clarification even if it is repetitive and gives the impression that they are doubting our advice. Even when our competence is questioned, we should respond with empathy and be patient with patients. Thus, using science and art, to cure and to heal. As surgeons, we literally "weld a knife to save a life". So, we ought to be grateful for the privilege to treat patients and never take patients for granted. Even the "demanding" patients will be appreciative when their needs are met and this requires both medical science and art to accomplish. If we treat humans as humans, we shall be richly rewarded with gratitude that only doctors can receive. I always take encouragement from the various notes and art expressions (shown below) of appreciation from my much-valued patients. Some of them were treated for very minor (non-life threatening) conditions but I believe that they were grateful because I listened to them and addressed their concerns and doubts with empathy and respect which ultimately reassured them. "First do no harm, cure often, comfort always".

[1] https://www.nrdo.gov.sg/docs/librariesprovider3/default-document-library/scr-2019_annual-report_final.pdf?sfvrsn=fa847590_0
[2] https://www.nrdo.gov.sg/docs/librariesprovider3/Publications-Cancer/cancer-registry-annual-report-2015_web.pdf?sfvrsn=10

CEO'S STATEMENT

b) Our nurses and staff are our most valued assets and must be treated as such, accordingly. Apart from salary and reward schemes and bonuses, we are intentionally creating a system and culture of fairness and graciousness whilst allowance for creativity and initiative is provided especially necessary in a "pressure cooker" environment due to the nature of our work. During the COVID-19 pandemic, I was very humbled to see all staff showing teamwork, diligence, coordination in performing their duties to the best of their abilities. At times, they were confronted with patients who had unrealistic expectations and who were venting their frustrations on them. In every instance, they were able to keep their cool to resolve the issues amicably through explanations and going the extra mile to serve the patients. In succeeding, they contributed significantly to our revenue and profits. These are the "intangible" skills that our staff have developed over the years that have become synonymous with HCSS service. This will continue to serve us well in years to come. I appreciate the efforts and dedication of everyone working in HCSS.

4. MOVING FORWARD WITH A STAND:

a) The pandemic has reassured us that focusing on the "local" market has paid off. When our borders were closed to foreigners, the local population provided our source of work and revenue. Hence, we continue to look for expansion locally. At the time of writing, a centre in the East of Singapore is being built and equipped as another endoscopy centre. We look forward to the opening of this centre and will announce the opening once the licence is obtained in the near future.

b) Look for expansion overseas: This has been put on hold since early 2020 due to the COVID-19 pandemic. As borders open and travel resumes back to approximate pre-pandemic levels, overseas expansion becomes a practical and feasible venture once again. It may be timely to re-acquaint or meet with overseas partners to explore opportunities.

c) HCSS is a company providing medical services and hence acquiring specialists is instrumental to growing our business. We continue to be on the lookout for talented doctors to expand our business.

d) "January 6": This refers to 6 January 2021 where rioting at the USA Capitol threatened the oldest democracy. This shows that nothing can be taken for granted. What exists today can disappear tomorrow if one takes one's eye off the ball. How does this apply to us? We will have to guard preciously and stingily to maintain our system and organisation and continue to build on it. Some aspects may have to be changed or adapted to keep up with current trends. An example is our computer system, cyber security, information technology. It might come with a price that we must be willing to pay to refine and improve because failure will result in greater penalties and costs. This requires consistent and dedicated vigilance, monitoring, refinement and swift correction where appropriate.

e) As we move forward, we can learn to expect disruption and be prepared to evolve constantly. This may include getting out of one's comfort zone to diversify, and test one's ability to adapt and innovate. "Desperation brings Innovation", "Adversity produces Diversity".

Finally, thank you staff, shareholders, patients and our partners for another eventful and fruitful year!

WELL WISHES

Dearest Dr Heah,

We thank God that we are blessed with such a wonderful Colorectal Surgeon.
You have shown so much care for him, monitoring his every progress intricately with precision.
We are in awe of your anointed surgery skills!
It is God's divine intervention and your TLCs showered upon our Dad that had enabled him to recuperate so quickly.
You are the BEST!!
We pray God's richess blessings upon you & your family.
May you always stay healthy & happy!
Once again THANK YOU!

Dear Dr. Chia,

My heartfelt thanks to you for my safe surgery that's done on 15/6/20. Your expertise is indeed an eye-opener & your patience, love & dedication to your patients is extraordinary. Well done!!! God Bless You –

Dear Dr Chia,

I wanted to write to say thank you for making me feel better in such a short period of time.

And I'd like to thank you that my pain is now a thing of the past.

Doctor Jason and team is very professional and takes good care of their patients all the time! Whatever concerns or fear you have, Dr Jason will assure you his best and his confidence gives you the utmost trust. Very knowledgeable and experienced surgeon! A big shout out to the nurses as well, very patience in explaining all the procedures and administrative stuffs!

Dear Dr Heah,
Before saying that you are an extraordinary doctor, I want to tell you that you are an extraordinary human being.
THANKS for showing me so much care & concern.
Thank you for giving others the confidence to smile with sparkles.

多谢你的关怀和爱心，
给予病人的帮助。
无言感激。

I told my son to form any words from "ELEPHANT" and letters can be repeated.

He formed "Heah"

I asked why and he said he remembers you for saving my life

All the wonderful ladies at GMH

Hi, I would like to thank everyone at GMH for the wonderful service. Although mine was a simple day surgery, the service I received was exemplary. I felt well taken care of throughout the whole process from consultation to post surgery. Cheers

FY2022 YEAR IN REVIEW

July 2022
Entry into agreement with AIA Singapore Private Limited for a second term

May 2022
Signed Tenancy for new clinic - HC Endoscopy & Piles Centre (Siglap) - Projected opening in Q4 2022

April-June 2022
Extension of exclusive appointment with AIA Singapore Private Limited

March 2022
New GP joins HCSS - Dr. Hannah Tan

January 2022
S$200,000 additional investment in Nuffield Dental Holdings Private Limited

November 2021
Acumen Holdings Pte. Ltd. (one of HCSS' investments) owns 6.80% of Aoxin Q & M Dental Group Limited via a share swap

October 2021
Closure of The GP Endoscopy & Piles Centre (Dleedon)

October 2021
Conversion of the Redeemable Convertible Loan in Nuffield Dental Holdings Private Limited

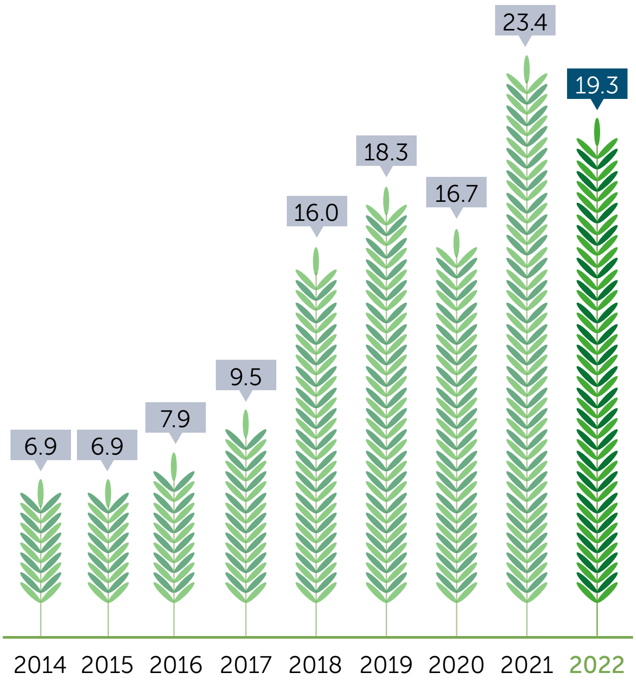
October 2021
Closure of HC Thyroid Hernia & General Surgery Centre

September 2021
Acquisition of the remaining 49% of the Issued and Paid-Up Share Capital in Medical L & C Services Pte. Ltd.

August 2021
Acquisition of the remaining 49% of the Issued and Paid-Up Share Capital in Jason Lim Endoscopy and Surgery Pte. Ltd.

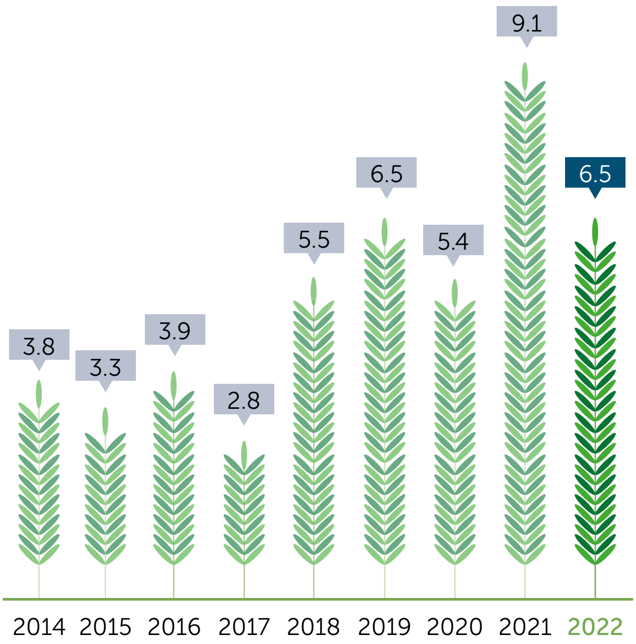
FY2022 YEAR IN REVIEW

SALES (S$ MILLION)



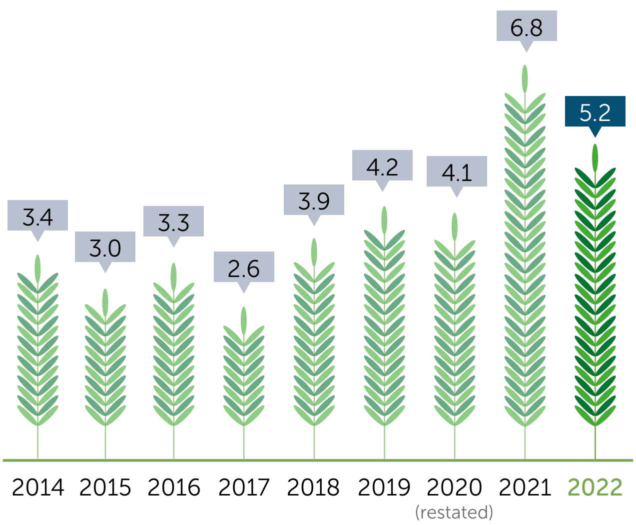
OPERATING INCOME* (S$ MILLION)

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

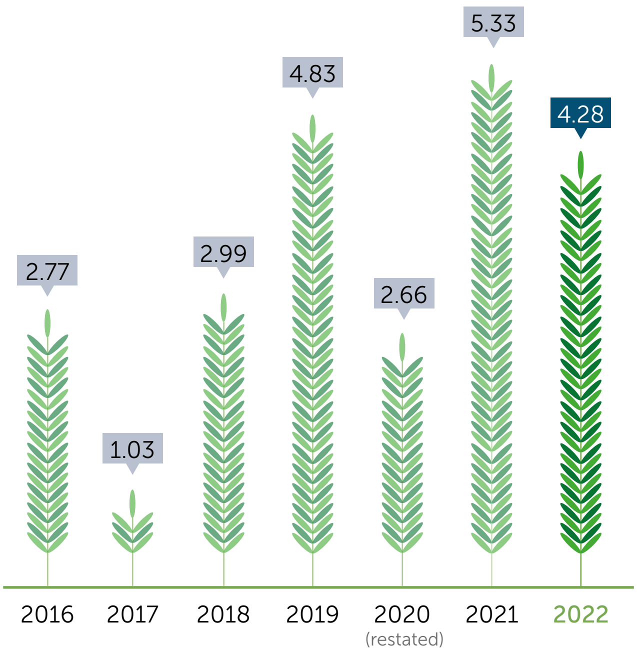


ADJUSTED PROFIT AFTER TAX TO OWNERS* (S$ MILLION)

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



EARNINGS PER SHARE (S$ CENTS)



PERFORMANCE REVIEW

FINANCIAL PERFORMANCE

FY2022 recorded a decrease in revenue of approximately S$4.0 million mainly due to the decrease in the number of patients selecting to pursue elective medical treatment in view of the lifting of the COVID-19 restrictions and easing of borders restrictions which paved way for overseas travel. FY2021 revenue was also exceptionally high due to a pent-up demand after the circuit breaker measures were lifted on 2 June 2020.

Other income increased by S$270,000 due mainly to higher dividend income from investment in financial assets at fair value through profit or loss ("**FVTPL**") of S$361,000; which was partially offset by lower interest income of S$22,000 and lower government grants of S$68,000.

The fair value gain on derecognition of financial assets at FVTPL of approximately S$0.4 million is related to the conversion of a convertible loan to shares in Nuffield Dental Holdings Private Limited ("**Nuffield**").

In FY2022, the fair value gain on financial assets at FVTPL of approximately S$0.6 million was due to (i) the increase in share price of Medinex Limited ("**Medinex**") in which the Company holds a direct interest of 22.92% and a deemed interest of 9.50% of Medinex's total issued share capital; (ii) the increase in share price of Singapore Paincare Holdings Limited ("**SPCH**") in which the Company holds a direct interest of 3.31% of SPCH's total issued share capital; (iii) fair value gain on Acumen Holdings Pte. Ltd.; which was partially offset by a fair value loss on HSN Healthcare Pte. Ltd.. In FY2021, the fair value gain on financial assets at FVTPL of approximately S$0.5 million arose primarily due to (i) the increase in share price of Medinex; and (ii) the increase in fair value of investment in SPCH subsequent to its listing on the Catalist Board of the Singapore Exchange Securities Trading Limited on 30 July 2020 based on the quoted market share price.

Inventories, consumables and surgery expenses decreased by approximately S$0.2 million in line with decreased revenue. Employee benefits expenses decreased by approximately S$0.7 million due to lower provision of bonus for the current financial year. The Group incurred lease expenses of S$57,000 in FY2022 as compared to a negative S$163,000 in FY2021 due to rental reliefs received. Finance costs increased by approximately S$0.3 million due to deemed interest expense on the deferred consideration payable for the acquisition of Jason Lim Endoscopy and Surgery Pte. Ltd. ("**JLES**").

Income tax expense decreased by S$0.5 million or 33.2% due to lower taxable profit recorded in FY2022 as compared to FY2021. As a result of the abovementioned, profit after income tax decreased by approximately S$2.1 million or 23.2% in FY2022 as compared to FY2021.

FINANCIAL POSITION

Property, plant and equipment ("**PPE**") decreased from approximately S$1.9 million as at 31 May 2021 to S$1.5 million as at 31 May 2022 due to depreciation, impairment loss and write-off and disposal of PPE; partially offset by additions of PPE for existing clinics.

Intangible assets comprise goodwill and computer software. The decrease in intangible assets from S$4.8 million as at 31 May 2021 to S$4.0 million as at 31 May 2022 was primarily due to an allowance for impairment loss on goodwill of a subsidiary of S$0.7 million.

Right-of-use ("**ROU**") assets decreased by approximately S$0.6 million mainly due to the depreciation and impairment loss of ROU assets for the existing clinics, and the write-off of ROU assets upon early termination of lease for a clinic; and was partially offset by the recognition of ROU assets for a new clinic.

Investment in joint ventures decreased by S$90,000 due to a derecognition of investment in approximately 27.8% equity interest of Zenmedic Capital Pte. Ltd. ("**Zenmedic**") upon conversion of the redeemable convertible loan in consideration of the issuance of new shares in Nuffield in October 2021.

Financial assets at FVTPL increased mainly due to an investment in Nuffield of approximately S$1.3 million and a fair value gain of approximately S$0.6 million, which was partially offset by a capital reduction of S$100,000.

Trade and other receivables decreased by approximately S$1.3 million due to the derecognition of loan to Zenmedic upon conversion of the redeemable convertible loan in consideration of the issuance of new shares in Nuffield in October 2021; and decrease in trade receivables outstanding from patients, in line with decreased revenue.

Capital reserves decreased by approximately S$9.7 million mainly due to the acquisitions of an additional (i) 49.0% equity interest in JLES in August 2021 and (ii) 49.0% equity interest in Medical L & C Services Pte. Ltd. ("**MLCS**") in September 2021.

Other reserve increased by approximately S$10.0 million due to the derecognition and remeasurement of financial liabilities for forward purchase contracts of subsidiaries.

Current and non-current other financial liabilities comprise the present value of forward purchase contracts of subsidiaries relating to certain contractual payment obligations due under the acquisition terms for the relevant subsidiaries. The decrease from approximately S$12.1 million as at 31 May 2021 to S$2.1 million as at 31 May 2022 was due to the derecognition of financial liabilities of two forward purchase contracts, upon exercise of the forward contracts for the relevant subsidiaries.

PERFORMANCE REVIEW

Non-current other payables of approximately S$5.7 million as at 31 May 2022 are related to the outstanding purchase consideration for the acquisition of an additional 49.0% equity interest in JLES.

Trade and other payables increased by approximately S$0.8 million mainly due to outstanding purchase consideration for acquisition of an additional 49.0% equity interest in JLES of S$1.8 million. This was partially offset by a decrease in trade payables, in line with decreased revenue; and a lower provision of bonus for the current financial year.

Current and non-current lease liabilities decreased by approximately S$0.6 million due to repayments made in FY2022; partially offset by a new lease entered for a new clinic.

Current and non-current bank borrowings decreased by approximately S$1.2 million due to repayments made in FY2022.

Income tax payable decreased by approximately S$0.4 million due to lower tax provision and payments made during the financial year.

CASH FLOW

The Group recorded net cash from operating activities of S$7.1 million in FY2022 as compared to net cash from operating activities of S$10.8 million in FY2021, due mainly to lower operating receipts.

Net cash from investing activities in FY2022 was due to the (i) dividends and interests received of S$742,000 and (ii) proceeds from capital reduction in financial assets at FVTPL and disposal of PPE of S$121,000; which was partially offset by the purchase of PPE for existing clinics of S$220,000, and the acquisition of additional equity interest in financial assets at FVTPL of S$202,000. The net cash used in investing activities in FY2021 was mainly related to the acquisition of 51.0% equity interest in GMH Endoscopy & Surgery Pte. Ltd. of S$561,000 and the purchase of PPE for existing and new clinics of S$511,000 which was partially offset by dividends and interests received of S$407,000.

Net cash used in financing activities in FY2022 was mainly related to (i) the acquisitions of additional 49.0% equity interest in each of JLES and MLCS aggregating to an amount of S$2.5 million, (ii) the payment of FY2021 final dividends of S$3.4 million and FY2022 interim dividends of S$2.1 million to shareholders; (iii) dividends paid to non-controlling interests of S$1.1 million; (iv) repayment of bank borrowings of S$1.2 million; and (v) repayments of obligations (including the interest portion) under leases of S$1.2 million.

Overall, the Group recorded a net decrease in cash and cash equivalents of S$4.1 million in FY2022, resulting in cash and cash equivalents of S$6.9 million as at 31 May 2022.

BOARD OF DIRECTORS

MR. CHONG WENG HOE

Non-executive Chairman and Independent Director

Mr. Chong Weng Hoe was appointed as our Non-executive Chairman and Independent Director on 28 September 2016 and was re-elected on 26 September 2017, 26 September 2019 and 28 September 2021. Since 2016, he has been the Executive Vice President of TÜV SÜD Asia Pacific Pte. Ltd. where he supervised a global network of wireless laboratories. He has held numerous positions within TÜV SÜD PSB Pte. Ltd. since April 1991 where he joined as an engineer and was subsequently promoted to vice president, senior vice president, chief executive officer and a director of the board. Mr. Chong was also an independent director of Regal International Group Ltd. from 4 March 2008 to 11 May 2019; an existing independent director of Keong Hong Holdings Limited since 22 November 2011; and an independent director of Hong Fok Corporation Limited since 15 February 2022, all of which are listed on the Main Board of the SGX-ST; an independent director of Singapore Paincare Holdings Limited since 17 June 2020; and an independent director of ISEC Healthcare Ltd. since 1 July 2021, both of which are listed on the Catalist Board of the SGX-ST.

Mr. Chong graduated from National University of Singapore with a Bachelor of Engineering (Electrical) in June 1989 and obtained a Master of Business Administration (Accountancy) from the Nanyang Technological University in March 1997. Mr. Chong was also awarded the Standard Council Merit Award by SPRING Singapore (currently known as Enterprise Singapore) in 2004 for his contribution to the national standardisation programme in his industry.

DR. HEAH SIEU MIN

Executive Director and Chief Executive Officer

Dr. Heah Sieu Min was appointed as our Executive Director and Chief Executive Officer on 1 September 2015 and was re-elected on 28 September 2016, 27 September 2018 and 29 September 2020. Dr. Heah is responsible for the overall management, strategic planning and business development of our Group. Dr. Heah started his career as a houseman in Ireland, before returning to Singapore where he served as a Medical Officer in Tan Tock Seng Hospital from 1992 to 1994. After moving to Singapore General Hospital in 1994, he held various positions including Registrar of the Department of Colorectal Surgery, Associate Consultant of the Department of Colorectal Surgery and Consultant of the Department of Colorectal Surgery until 2004. He then spent approximately 3 years as a Consultant for colorectal surgery at Pacific Colorectal Centre, before starting his own private practice in 2007, the Heah Colorectal Endoscopy & Piles Centre. He has since opened various other clinics including Heah Endoscopy & Piles Centre (Bukit Batok).

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

BOARD OF DIRECTORS

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, 27 September 2018 and 28 September 2021; and Medical Director on 6 July 2017. Dr. Chia has spent most of his career in the public healthcare sector, first serving as a Registrar at Alexandra Hospital before being appointed as a Consultant at Singapore General Hospital. He then moved to Tan Tock Seng Hospital where he was appointed as a Senior Consultant before being appointed as Deputy Head of the General Surgery Department. Dr. Chia spent over 20 years in the public healthcare sector before establishing his private practice at Mount Elizabeth Medical Centre in July 2009.

Dr. Chia graduated from National University of Singapore with a Bachelor of Medicine, Bachelor of Surgery in 1986. He is an accredited specialist in general surgery and an accredited renal transplant surgeon with the Singapore Ministry of Health, as well as a fellow of the Royal College of Surgeons of Edinburgh and the Academy of Medicine Singapore. Dr. Chia has also participated in numerous educational activities, having served as an Associate Professor at the Yong Loo Lin School of Medicine, NUS, in addition to being regularly invited to give lectures at seminars and panel discussions. Further, Dr. Chia was also a member of several professional committees such as Ministry of Health Specialist Training Committee for General Surgery and was an elected member of the Singapore Medical Council from October 2016 to October 2019.

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

MR. LIM CHYE LAI, GJAN

Non-Independent Non-executive Director

Mr. Lim Chye Lai, Gjan was appointed as our Non-Independent Non-executive Director on 28 September 2016 and was re-elected on 26 September 2017 and 26 September 2019. Mr. Lim has worked in the medical equipment industry for over 20 years. He started his career at Schmidt BioMedTech Pte. Ltd. in 2000 as a Sale Engineer before moving on to Olympus Medical Ltd. in 2001, where he served as their Regional Product Executive until 2005. In 2005, he joined Minimally Invasive Therapies Group, Medtronic, which is involved in the supply of minimally invasive therapies, and was the Business Unit Director of Singapore and Malaysia until August 2019. Mr. Lim now runs a local company, Healthcare Essentials Pte. Ltd., specialising in the retail sales of pharmaceutical and medical goods and the provision of management consultancy services. Mr. Lim has also been serving as the Chairman of Business Sub-Committee in the Medical Technology Industry Group since 2012, a group formed by various companies operating in the medical technology industry.

Mr. Lim graduated from Temasek Polytechnic with a Diploma in Electronics in 1998.

MR. OOI SENG SOON

Independent Non-executive Director

Mr. Ooi Seng Soon was appointed as an Independent Non-executive Director on 28 September 2016 and was re-elected on 26 September 2017 and 29 September 2020. With more than 24 years of experience in banking and finance, Mr. Ooi had worked in various positions in ABN AMRO Bank from 1974 to 1996, before joining Oversea-Chinese Banking Corporation Ltd., where he headed the Enterprise Banking division of the Bank of Singapore from 1997 to 1998 before his retirement. Mr. Ooi had previously served as independent director of NH Ceramics Limited (now known as Blackgold Natural Resources Limited), a company listed on the Catalist Board of the SGX-ST, and was an independent director of BRC Asia Limited from 2009 to 2018, which is listed on the Main Board of the SGX-ST. He was actively involved in board matters, having acted as Chairman of various board committees such as the audit committee and remuneration committee.

Mr. Ooi graduated from the University of Singapore with a Bachelor of Arts in 1971.

KEY MANAGEMENT

MS. SOPHIA ONG
Chief Financial Officer

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

Ms. Ong is a chartered accountant with the Institute of Singapore Chartered Accountants with over 21 years of experience in accounting, audit and tax matters. She graduated from Nanyang Technological University with a Bachelor of Accountancy in June 2001.

MS. MELISSA SUSANTIO
Chief Operating Officer

Ms. Melissa Susantio joined our Group in 2017 and was previously our Operations, Marketing & IT Manager. She was appointed as our Chief Operating Officer on 1 May 2022. 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. She is also responsible for the execution of the Group's business and marketing plans, in addition to the development and implementation of the Group's IT policies and procedures to ensure data security and integrity of patients' information. Ms. Susantio started her career as an auditor in Ernst & Young in 2014. She moved to United Overseas Bank as a personal banker in 2016, before joining our Group in 2017.

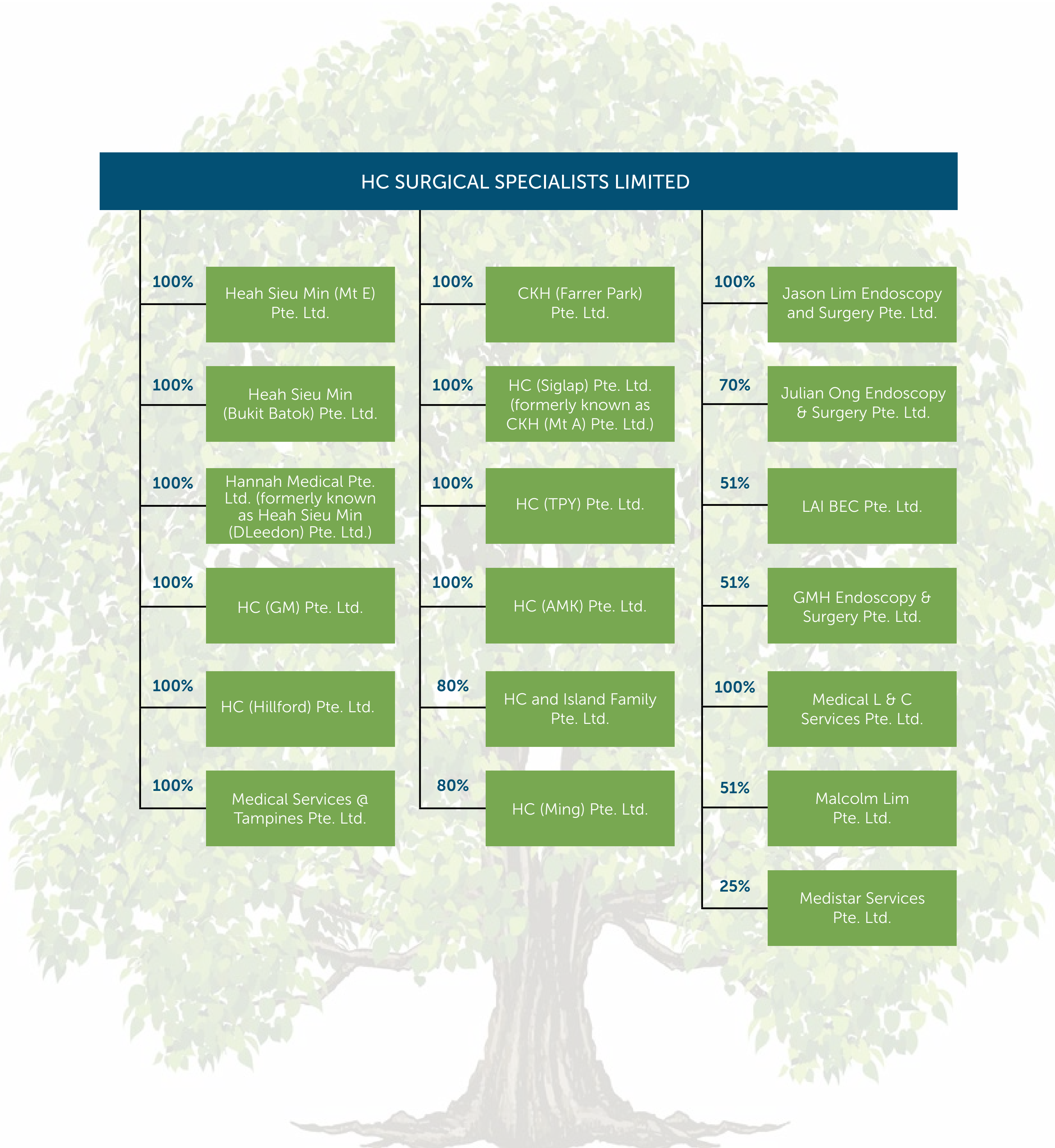
Ms. Susantio graduated from University of London with a Bachelor of Science in Accounting and Finance in August 2013.

MS. CAI TINGTING
Chief Nursing Officer

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

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

GROUP STRUCTURE



OUR SERVICES

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

OUR SERVICES

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

Other conditions treated by our Group include:

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

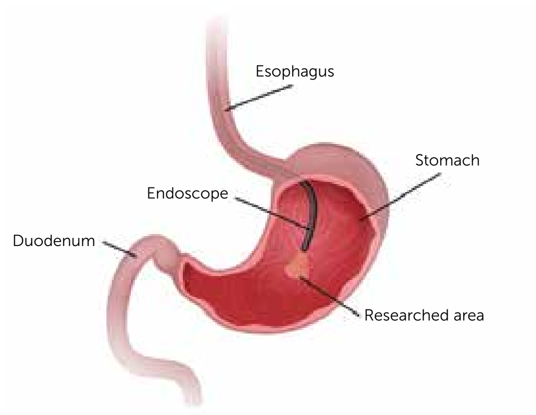
OUR SERVICES

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

ENDOSCOPIC PROCEDURES

Endoscopy is a non-surgical procedure used to examine the digestive tract. An endoscope or colonoscope is a thin, flexible tube with light and camera attached at one end and is used to view the stomach/colon through a TV monitor. Polypectomies may also be performed during endoscopy to remove polyps (growths) found in the stomach/colon. These are commonly done to evaluate:

1. Abdominal pain, bloating or discomfort
2. Reflux symptoms, gastritis
3. Bleeding in the digestive tract, bleeding per rectum, blood in stools
4. Constipation, loose stools, change in bowel habit, irritable bowel syndrome (IBS)
5. Nausea, vomiting
6. Loss of weight, loss of appetite
7. Anaemia
8. Family history of stomach/ colon cancer

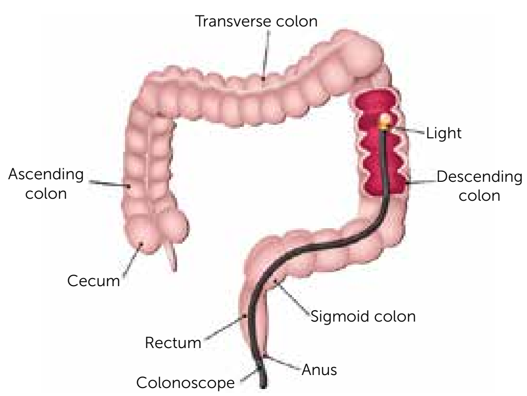


GASTROSCOPY

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).

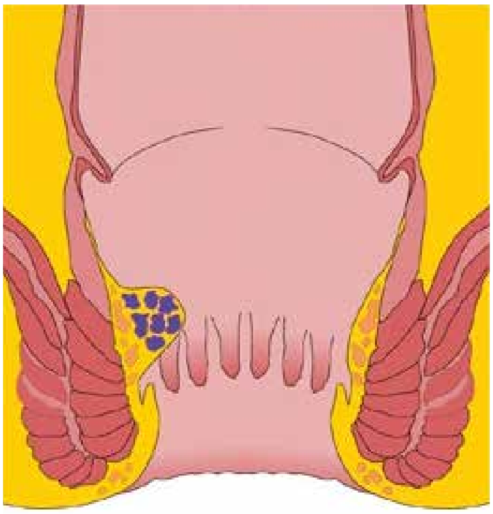
OUR SERVICES

TYPES OF OTHER DISEASES

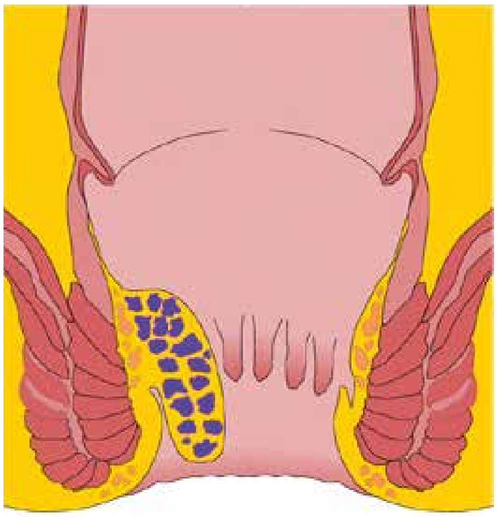
HAEMORRHOIDS

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 using Ligasure, Haemorrhoid Energy Therapy, and Ligation of Piles are some of the treatments done in our centres.

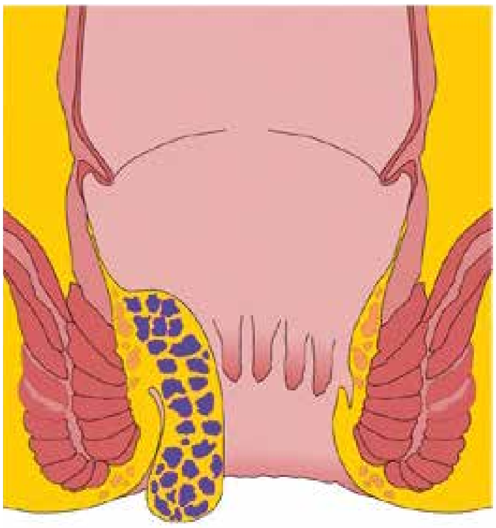
Haemorrhoids can be classifed into four stages:



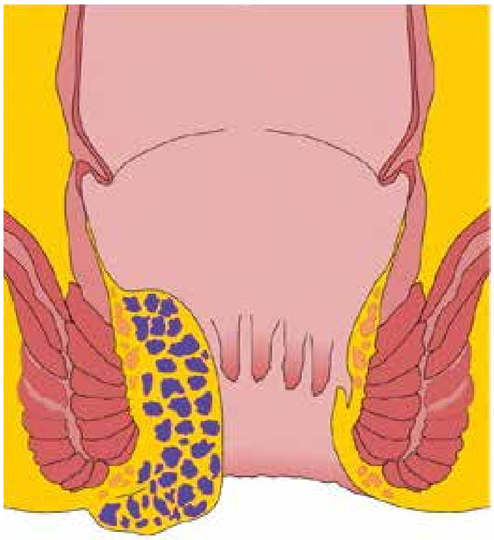
FIRST DEGREE
Internal piles that bleed, but do not prolapse past the anus (or 'pop out').



SECOND DEGREE
Piles that prolapse past the anus during bowel movement but reduce spontaneously.



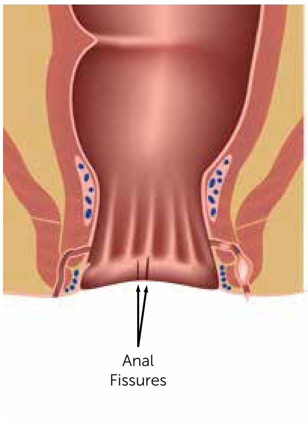
THIRD DEGREE
Piles that are prolapsed and must be manually reduced.



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

OUR SERVICES

TYPES OF OTHER DISEASES

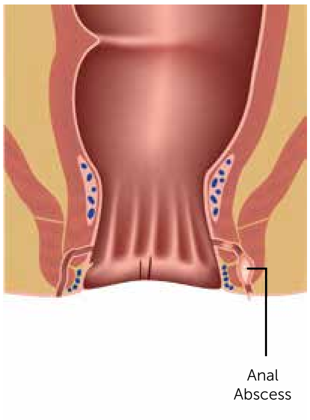


ANAL FISSURE

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

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

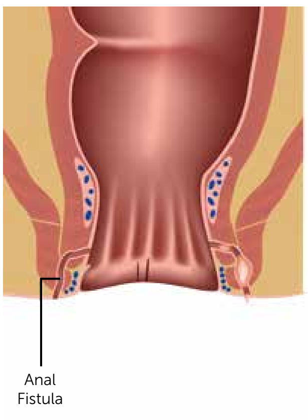
- Sharp anal pain on defecation, especially after hard stools
- Throbbing pain that persists after passing motion
- Blood on passing motion
- Loose skin felt at area of pain (sentinel skin tag)



ANAL ABSCESS

Anal abscess is the build-up of pus in the rectum and anus.

Symptoms include anal pain and fever. If this is not fully treated, it can lead to anal fistula. Treatment usually involves draining the infected fluid and dressing of the wound after the operation.

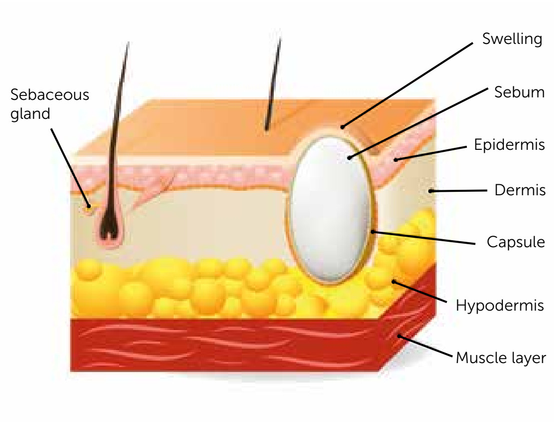


ANAL FISTULA

Anal fistula is a small channel that can develop between the end of the bowel and the skin near the anus, usually the result of an infection near the anus causing a collection of pus in the nearby tissues. When the pus drains away, it leaves behind a small tunnel. Common symptoms can include skin irritation, anal discomfort, smelly anal discharge, swelling and fever.

Fistulectomy is often done as a treatment for anal fistula whereby the surgeon uses a probe to find the fistula's internal opening. Following that, the tract is cut open, scraped and the contents are flushed out. The wound is then dressed till the wound heals.

OUR SERVICES

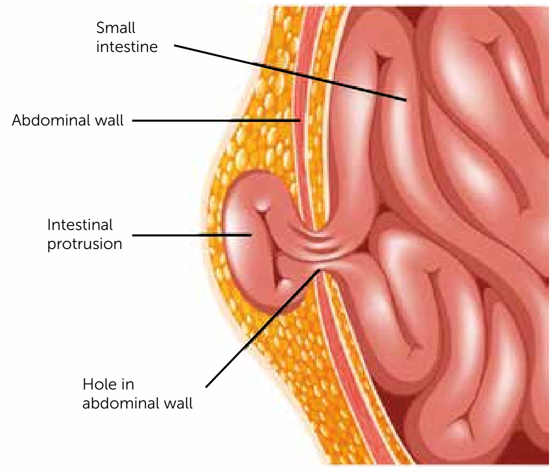


LIPOMAS AND CYSTS

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.

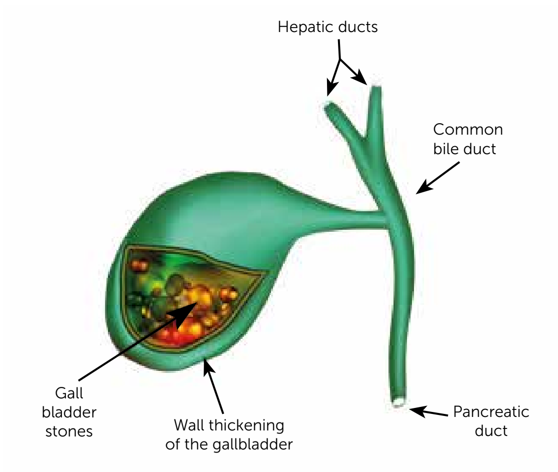
Cysts are sacs under the skin that contains fluids and can be mistaken as a lipoma. Surgical treatments are carried out when they cause pain.

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.



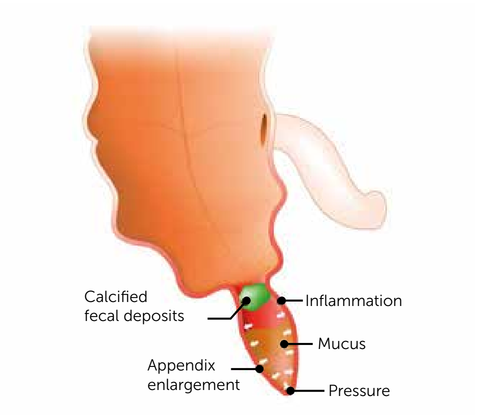
CHOLECYSTITIS

Cholecystitis is the inflammation of the gallbladder, commonly caused by an obstruction of the cystic duct by gallstones arising from the gallbladder (cholelithiasis).

The common symptoms are nausea, vomiting, right upper abdominal pain, and occasionally fever. Cholecystitis can be diagnosed through ultrasound. The treatment for cholecystitis is Laparoscopic Cholecystectomy (making small incisions in the abdomen to remove the gallbladder).

OUR SERVICES

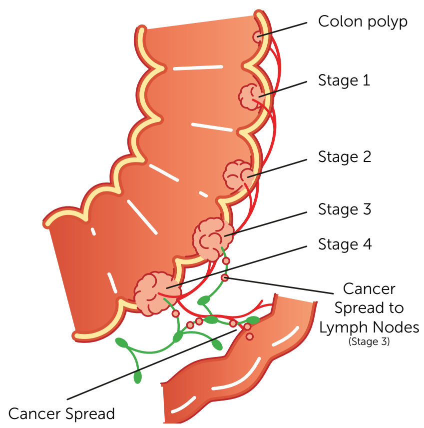
TYPES OF OTHER DISEASES



APPENDICITIS

Appendicitis is the inflammation of the appendix, a finger-shaped pouch that projects from your colon on the lower right side of your abdomen. The appendix does not seem to have a specific purpose. Appendicitis causes pain in your lower right abdomen.

However, in most people, pain begins around the navel and then moves. As inflammation worsens, appendicitis pain typically increases and eventually becomes severe. Although anyone can develop appendicitis, most often it occurs in people between the ages of 10 and 30. Standard treatment is surgical removal of the appendix.

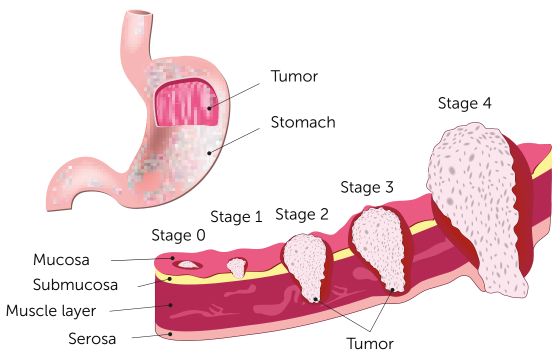


COLORECTAL CANCER

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

The common symptoms of colorectal cancer are:

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



GASTRIC CANCER

Stomach cancer, also known as gastric cancer, is cancer developing from the lining of the stomach. Early symptoms may include heartburn, upper abdominal pain, nausea and loss of appetite. 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).

OUR SERVICES

OTHER SERVICES

HOME CARE SERVICES

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

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

PHPC / SASH / CHAS / COVID-19 SWAB TEST SERVICES

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

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

In addition, it is also enrolled in the following:

- Public Health Preparedness Clinic (PHPC) scheme
- Swab and Send Home (SASH) Programme
- Community Health Assist Scheme (CHAS)
- Pre-departure COVID-19 Swab Test
- COVID-19 PCR Swab Test

One of our clinics, HC Endoscopy & Piles Centre (Hillford), is also licensed to provide COVID-19 testing services.

OTHER ANCILLARY SERVICES

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

OUR SPECIALISTS

DR. HEAH SIEU MIN

MBBCh,
FRCSEd (General Surgery),
FAMS General Surgeon

Dr. Heah graduated from the National University of Ireland in 1990 with a Bachelor's degree in Medicine and Surgery. After completing his housemanship in Ireland, he returned to Singapore where he worked in various hospitals, including Tan Tock Seng Hospital, Singapore General Hospital and KK Women's and Children's Hospital. He obtained his FRCSEd in general surgery in 1994, and was accredited as a specialist in general surgery by the Ministry of Health and the Singapore Medical Council in 1999. Dr. Heah obtained his FAMS in general surgery in 2000. Dr. Heah established his private practice in 2007.

DR. CHIA KOK HOONG

MBBS (Singapore),
FRCSEd (General Surgery),
FAMS General Surgeon

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

Dr. Chia had served as a member of professional committees such as the Ministry of Health Specialist Training Committee for General Surgery and was an elected member of the Singapore Medical Council from October 2016 to October 2019.

DR. LAI JIUNN HERNG

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

Dr. Lai obtained his Bachelor's degree in Medicine and Surgery (MBBS) from the National University of Singapore in 1998. He went on to obtain his Membership in Surgery from the Royal College of Surgeons of Edinburgh (MRCSEd) in 2004, and received his Master of Medicine in Surgery (M.Med) from the National University of Singapore in 2005.

He completed his advanced surgical training and was awarded the Fellowship in General Surgery from the Royal College of Surgeons of Edinburgh (FRCSEd) in 2009. He specialises in colorectal and general abdominal surgery, endoscopy and proctology. His subspecialties include minimally invasive and robotic colorectal surgery, advanced endoscopy and new techniques in piles and anal fistula surgery.

Dr. Lai is Past President of the Society of Colorectal Surgeons, Singapore (SCRS). He sits on the Board of Directors of Asia Pacific Endo-Laparoscopy Group (APELS) and is a lifetime member of the Endoscopic and Laparoscopic Surgeons of Asia (ELSA). Dr. Lai is actively involved in 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.

OUR SPECIALISTS

DR. JULIAN ONG

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

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

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

DR. JASON LIM

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

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

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

DR. GOH MINGHUI

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

Dr. Goh graduated from Yong Loo Lin School of Medicine, National University of Singapore in 2007 and started her surgical training at Singapore General Hospital in 2008.

In 2016, Dr. Goh was made a Consultant Surgeon in the Department of Colorectal Surgery at Singapore General Hospital. Dr. Goh was awarded the SingHealth Manpower Development Plan award in 2018 and embarked on a one-year fellowship at Prince of Wales Hospital in Hong Kong where she was trained in minimally invasive techniques for colorectal surgery. These included laparoscopic and robotic surgery.

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

OUR GENERAL PRACTITIONERS

DR. MALCOLM LIM

LRCP & SI,
MB Bch,
BAO (NUI)

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

DR. 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 later joined Healthway Medical Group as a general practitioner in 1995 and subsequently moved on to Pacific Healthcare Holdings in 2005, before joining our Group in July 2016.

DR. LAI JUNXU

MBBS (Singapore),
Dip (Fam Med),
Dip (Pall Med),
DWD (CAW)

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

OUR GENERAL PRACTITIONERS

DR. ROGER PANG

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

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

DR. TAN HOOI HWA

B. Med. Sc (Hons),
MBBS (Hons) Monash,
M. Med. (Int Med.) A.M.

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

DR. WONG YIK MUN

MBBS (Singapore)

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

DR. HANNAH CORINTHIANS TAN

MBChB (Glasgow),
Dip (Fam Med)

Dr. Tan graduated from the University of Glasgow (UK) in 2014. She completed her housemanship at the Glasgow Royal Infirmary (UK) before returning back to Singapore for the rest of her training.

From 2015 - 2021, she worked in various Singapore government institutions as a medical officer - honing her skills in acute medicine in an inpatient, emergency medicine and intensive care unit settings as well as chronic disease management in polyclinic setting, palliative medicine in a home hospice setting, geriatric and community medicine in a community hospital setting. Dr. Tan later went on to complete her Graduate Diploma in Family Medicine in 2022.

Dr. Tan joined our Group in March 2022 with the commitment to bring her energy and enthusiasm to impact patient relationships and communication, to enhance the Group's primary care service. Dr. Tan seeks to touch the lives of the young and old alike — in clinics, nursing homes, hospitals as well as home care. Her vision — serve where it matters.

OUR TEAM

HEAH COLORECTAL ENDOSCOPY & PILES CENTRE

CARRIE, JIAYI ,CLOVER, KATRYN, RUDIANA, MAUREEN

ENDOSCOPY, VEINS & PILES CENTRE

DR. CHIA KOK HOONG, SEBRINA, CARMEN, AQILA

HEAH ENDOSCOPY & PILES CENTRE (BUKIT BATOK)

HUI THENG, CECILIA, ISABEL

HC ENDOSCOPY & PILES CENTRE (GM)

EMILY, YI PING

HC ENDOSCOPY & PILES CENTRE (HILLFORD)

XINYU, JIA YI, DR. HEAH SIEU MIN, YU JIE, MAUREEN

HC ENDOSCOPY & PILES CENTRE (TPY)

HAZEL, MELISSA SUSANTIO

OUR TEAM

TAMPINES ENDOSCOPY & SURGERY CENTRE

CAROL, JOYCE

GOH MINGHUI ENDOSCOPY & SURGERY

SHERISSE, DR. GOH MINGHUI, JOLENE

LAI ENDOSCOPY & COLORECTAL SURGERY

ALICE, DR. LAI JIUNN HERNG, CASSANDRA

HC MING ENDOSCOPY & PILES CENTRE

ISABEL, HAZEL

HC ENDOSCOPY & PILES CENTRE (AMK)

ELAINE, MELISSA KONG, MEERA, DR. JULIAN ONG

JASON LIM ENDOSCOPY & PILES CENTRE

SEE KHIM, OLIVIA, FARAH, DR. JASON LIM, JULIANAH, MELCIA

FINANCE TEAM

ASHLIN, KIT, NICHOLE, SOPHIA, THEODORA, SANDY

LOCATIONS OF CLINICS

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

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

3 HEAH ENDOSCOPY & PILES CENTRE (BUKIT BATOK)
Blk 644 Bukit Batok Central
#01-70 (2nd storey)
Singapore 650644
Tel: +65 6665 1355

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

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

6 HC ENDOSCOPY & PILES CENTRE (TPY)
Blk 190
Toa Payoh Lorong 6
#01-572
Singapore 310190
Tel: +65 6686 6542

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

8 HC MING ENDOSCOPY & PILES CENTRE
1 Orchard Boulevard
#04-01/02
Camden Centre
Singapore 248649
Tel: +65 8870 0863

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

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

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

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

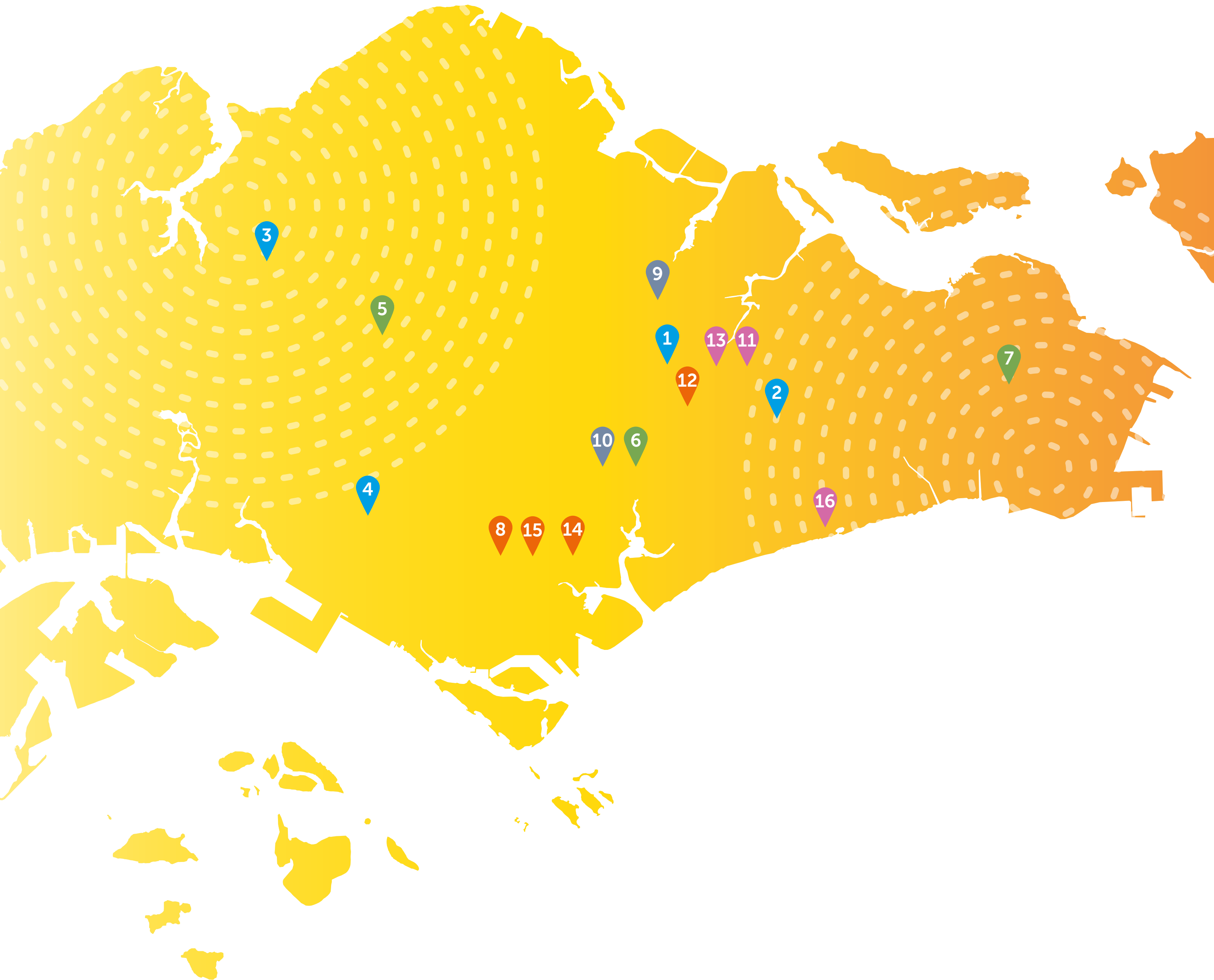
13 GOH MINGHUI ENDOSCOPY & SURGERY
38 Irrawaddy Road
#05-49
Mount Elizabeth Novena Specialist Centre
Singapore 329563
Tel: +65 6261 9008

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

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

16 HC ENDOSCOPY & PILES CENTRE (SIGLAP) PROJECTED OPENING - Q4 2022

LOCATIONS OF CLINICS



OUR ENDOSCOPY CENTRES

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

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

Each endoscopy centre is licensed and fully equipped for day-case endoscopy and minor colorectal procedures.

Our team of experienced administrative staff with trained and dedicated nurses ensure a high standard of patient care for all our patients.

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

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

INTRODUCTION

HC Surgical Specialists Limited ("**HC Surgical**" or the "**Company**") and its subsidiaries (collectively, the "**Group**") are committed to maintaining a high standard of corporate governance to protect shareholders' interests and enhance shareholders' value. The Group adopts practices based on the Code of Corporate Governance 2018 (the "**Code**") issued on 6 August 2018. This report describes the Group's corporate governance practices that were in place throughout the financial year ended 31 May 2022 ("**FY2022**"), with specific reference made to the principles and provisions as set out in the Code and Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of the Catalist (the "**Catalist Rules**") where applicable except where otherwise stated. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code.

(A) BOARD MATTERS

The Board's Conduct of its Affairs

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

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

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

The Board has the overall responsibility for reviewing the strategic and financial plans, performance objectives, key operational initiatives, major funding and investment proposals, financial performance reviews and corporate governance practices.

In general, the principal duties of the Board include:–

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

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

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

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

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

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

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

The table below shows the trainings and briefings attended by the Directors in FY2022:

Name of Director	Course	Training Provider	Frequency
Mr. Chong Weng Hoe	SID Virtual Directors' Conference 2021	Singapore Institute of Directors	Once
	Corporate Governance Roundup 2021	Singapore Institute of Directors	Once
	ACRA-SGX-SID Audit Committee Seminar	Singapore Institute of Directors	Once
Dr. Heah Sieu Min	SID Virtual Directors' Conference 2021	Singapore Institute of Directors	Once
	Corporate Governance Roundup 2021	Singapore Institute of Directors	Once
Dr. Chia Kok Hoong	SID Virtual Directors' Conference 2021	Singapore Institute of Directors	Once
	Corporate Governance Roundup 2021	Singapore Institute of Directors	Once
Mr. Ooi Seng Soon	SID Virtual Directors' Conference 2021	Singapore Institute of Directors	Once
	Corporate Governance Roundup 2021	Singapore Institute of Directors	Once
	ACRA-SGX-SID Audit Committee Seminar	Singapore Institute of Directors	Once
Mr. Lim Chye Lai, Gjan	SID Virtual Directors' Conference 2021	Singapore Institute of Directors	Once

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

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

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

The Directors' attendance at the Board's, the Board Committees' and general meetings of the Company held in FY2022 is as follows:–

	Board Meetings	Audit Committee Meetings	Nominating Committee Meeting	Remuneration Committee Meetings	Annual General Meeting
No. of meetings held	**4**	**2**	**1**	**2**	**1**
Name of Director			**Number of Meetings Attended**		
Mr. Chong Weng Hoe	4	2	1	2	1
Dr. Heah Sieu Min	4	2*	1*	2*	1
Dr. Chia Kok Hoong	4	2*	1*	2*	1
Mr. Lim Chye Lai, Gjan	4	2	1	2	1
Mr. Ooi Seng Soon	4	2	1	2	1

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

The NC assessed each Director's contribution and devotion of time and attention to the Company's affairs, having regard to his attendance at the directors' meetings, directorship in other listed companies, principal commitments, and is of the view that the number of directorships in listed companies and principal commitments are not significant and there was sufficient time and attention to the Company's affairs given by each Director during the course of FY2022.

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

Board Composition and Guidance

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

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

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

With regard to Catalist Rule 406(3)(d)(iii) which sets out certain requirements in relation to the renewal of directorship of any independent director who has served on the Board beyond nine years from the date of first appointment, the Board confirms that none of the independent Directors has served on the Board beyond nine years from the date of his appointment.

The NC has assessed the independence of each of the Directors in FY2022. After having considered the declarations made by Mr. Chong Weng Hoe and Mr. Ooi Seng Soon and taking into account the independent criteria set out under the Code, the NC has determined that the named Directors are independent.

The Board has 5 members and comprises:–

Composition of the Board

Composition of the Board Committees
- C – Chairman
- M – Member

Name of Director	Designation	AC	NC	RC
Dr. Heah Sieu Min	Executive Director and Chief Executive Officer	–	–	–
Dr. Chia Kok Hoong	Executive Director and Medical Director	–	–	–
Mr. Chong Weng Hoe	Non-executive Chairman and Independent Director	M	C	C
Mr. Ooi Seng Soon	Independent Non-executive Director	C	M	M
Mr. Lim Chye Lai, Gjan	Non-Independent Non-executive Director	M	M	M

Taking into consideration the size of the current business operations of the Group, the Board considers its current Board size appropriate and has an appropriate level of independence.

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

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

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

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

The NC reviewed the composition of the Board and the Board Committees during the course of FY2022 and is of the view that the current Board and Board Committees are of an appropriate size and comprise Directors with appropriate balance and mix of skills, knowledge, experience and age except for gender.

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

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

Chairman and Chief Executive Officer

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

The Board is chaired by Mr. Chong Weng Hoe, Non-executive Chairman and Independent Director of the Company while Dr. Heah Sieu Min is the CEO of the Company during the course of FY2022.

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

The Chairman is responsible for:–

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

The CEO is responsible for:–

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

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

Board Membership

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

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

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

The NC's principal functions include:–

- nomination and re-nomination of the Directors of the Company for re-election, having regard to their contribution, performance, and ability to commit sufficient time and attention to the affairs of the Group, taking into account their respective commitments outside the Group;

- determine on an annual basis, whether a Director is independent;

- assess whether a Director is able to and has been adequately carrying out his/her duties as a Director;

- review of Board succession plans for Directors, and in particular, the appointment and/or replacement of the Chairman, the CEO and Key Management Personnel;

- develop and implement a process and criteria for evaluation of the performance of the Board, the Board Committees and Directors;

- assess the effectiveness of the Board as a whole, the Board Committees and each individual Director;

- review of training and professional development programs for the Board and its Directors;

- review and approve new employment of persons related to the Directors and controlling shareholders and the proposed terms of their employment; and

- appointment and re-appointment of directors (including alternate directors, if any).

The Company has no alternate director on its Board.

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

- Evaluates the balance, skills, knowledge, and experience of the existing Board and the requirements of the Group. In light of such evaluation, the NC determines the role and the key attributes that an incoming director should have;

- After endorsement by the Board of the key attributes, the NC taps on the resources of Directors' personal contacts and recommendations of the potential candidates and goes through a short-listing process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed in the search process;

- Meets the shortlisted candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required; and

- Recommends the most suitable candidate to the Board for appointment as director.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

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

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

All Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. The Company's Constitution provides that one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one third) shall retire from office by rotation and be subject to re-election at the Annual General Meeting ("**AGM**") of the Company.

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

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

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

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

Pursuant to Rule 720(5) of the Catalist Rules, the information relating to Directors submitting for re-election as set out in Appendix 7F of the Catalist Rules is disclosed on pages 156 to 161 of the Annual Report.

The NC determines annually, and as and when circumstances require, based on a Director's Independence Checklist completed, if a director is independent, having regard to the circumstances or independence criteria set forth in provision 2.1 of the Code. The NC determined that, during the course of FY2022, there was no Director whose relationships with the Company, its related corporations, its substantial shareholders or its officers, if any, affect their independence as an Independent Director of the Company. The Board is in accord with the NC's determination.

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 directorships that a Director may hold concurrently for listed companies. The NC also takes into account the principal commitments and assessment results of each director, as well as the respective Directors' actual conduct on the Board.

Board Performance

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

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

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

The Board reviews the evaluation conducted by the NC based on the consolidated results received from the Directors and recommendations put forward by the Directors for improvement of performance and effectiveness of the Board, the Board Committees and individual Directors. Following the review, the Board is of the view that the Board, the Board Committees and individual Directors performed consistently well and operated effectively for FY2022.

The Directors, led by the NC, assessed the performance of the Chairman of the Board for FY2022 at the Board meeting held on 28 July 2022.

There were no external consultant or facilitator involved in the Board evaluation process in FY2022.

The NC performed the following activities in FY2022:–

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

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

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

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

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

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

- review and recommend to the Board for endorsement, a framework of remuneration for the Board and Key Management Personnel. The framework covers all aspects 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;

- consult professional consultancy firms where necessary in determining remuneration packages;

- consider the various disclosure requirements for Directors' remuneration and ensure that there is adequate disclosure in the financial statements and annual report to enhance transparency between the Company and relevant interested parties; and

- review all aspects of remuneration of Executive Directors and Key Management Personnel including the Company's obligations arising in the event of termination of their service contracts, to ensure the contracts contain fair and reasonable termination clauses which are not overly generous.

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

No remuneration consultants were engaged by the Company in FY2022.

Level and Mix of Remuneration

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

The Company adopts a remuneration policy for its Executive Directors and Key Management Personnel comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the performance of the Company and the individual. The remuneration policy is aligned with the interests of the shareholders and other stakeholders and promotes long-term success of the Group.

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

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

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

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

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

The Board concurred with the RC's proposal for Independent Directors' fees for FY2022 and is of the view that the Directors' fees are appropriate and not excessive.

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

Disclosure on Remuneration

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

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

Remuneration paid/payable to Executive Directors and Key Management Personnel is determined by the Board after considering the performance of the individual, the Company and against comparable organisations. The total remuneration package of Executive Directors and Key Management Personnel comprises a fixed cash component, an annual performance incentive and a long-term incentive. The annual fixed cash component comprises the annual basic salary, statutory employer's contributions to the Central Provident Fund ("**CPF**") and other fixed allowances. The annual performance incentive is tied to the performance of the Group and respective KPIs allocated to the individual employee. To align the interests of the Directors and Key Management Personnel with the interests of shareholders, the Group has also adopted the HCSS Performance Share Plan ("**HCSS PSP**") and HCSS Employee Share Option Scheme ("**HCSS ESOS**") (collectively the "**Share Plans**"). The Executive Directors and Key Management Personnel had met their respective KPIs in respect of FY2022.

The breakdown of the remuneration of the Directors of the Company for FY2022 in bands of S$250,000, is set out below:–

Directors	Fee %	Salary[1] %	Bonus[1] %	Other Benefits[2] %	Total %
Above S$1,000,000					
Dr. Heah Sieu Min	–	76.0	23.0	1.0	100.0
S$500,001 and S$750,000					
Dr. Chia Kok Hoong	–	77.0	21.0	2.0	100.0
Below S$250,000					
Mr. Chong Weng Hoe	100.0	–	–	–	100.0
Mr. Ooi Seng Soon	100.0	–	–	–	100.0
Mr. Lim Chye Lai, Gjan	100.0	–	–	–	100.0

Notes:

[1] Salary and bonus include employer's contributions to CPF.

[2] Other benefits refer to benefits-in-kind such as medical conference allowance made available to Directors as appropriate.

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In FY2022, the Company has four top Key Management Personnel, including Ms. Ouyang Yuxia, Connie, who ceased to be the Chief Operating Officer with effect from 1 May 2022 and Ms. Melissa Josephine Tio @ Melissa Josephine Susantio, who was appointed as the Chief Operating Officer with effect from 1 May 2022. The breakdown of the remuneration of the four Key Management Personnel of the Company (who are not Directors or CEO) in bands of S$250,000 is as follows:–

Key Management Personnel	Fee %	Salary[(1)] %	Bonus[(1)] %	Other Benefits %	Total %
S$250,001 and S$500,000					
Ms. Sophia Ong	–	73.0	27.0	–	100.0
Below S$250,000					
Ms. Ouyang Yuxia, Connie[(2)]	–	94.0	5.0	1.0	100.0
Ms. Cai Tingting	–	90.0	10.0	–	100.0
Ms. Melissa Josephine Tio @ Melissa Josephine Susantio[(3)]	–	60.0	38.0	2.0	100.0

Note:
(1) Salary and bonus include employer's contributions to CPF.
(2) Ceased employment with effect from 1 May 2022
(3) Appointed with effect from 1 May 2022

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

There were no employees who are immediate family members of a Director or the CEO or a substantial shareholder of the Company and whose remuneration exceeded S$100,000 in FY2022.

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

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

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

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

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

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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 NEDs (including Independent Directors), controlling shareholders and their associates provided they have met the eligibility criteria.
Administration of the HCSS PSP	The HCSS PSP shall be managed by the members of the HCSS PSP Administration Committee, which comprises the Nominating Committee and Remuneration Committee of the Company ("**Administration Committee**"), which has the absolute discretion to determine persons who will be eligible to participate in the HCSS PSP.
Awards Entitlement	Awards represent the right of a participant to receive fully-paid shares free of charge ("**Awards**").
Size of HCSS PSP	The aggregate number of shares which may be offered under the Share Plans should not exceed 15% of the Company's total issued capital (excluding treasury shares) on the date preceding the date of the relevant grant.
Vesting Period	No minimum vesting period is prescribed under the HCSS PSP for Awards and the length of the vesting period in respect of each Award will be determined on a case-by-case basis by the Administration Committee.

There were no Awards granted under the HCSS PSP in FY2022. Accordingly, 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 received 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 NEDs (including Independent Directors), controlling shareholders and their associates provided they have met the eligibility criteria.
Administration of HCSS ESOS	The HCSS ESOS shall be administered by the members of the HCSS ESOS Administration Committee, which comprises the Nominating Committee and Remuneration Committee of the Company, which shall have the powers to determine, *inter alia*, the following:– (a) persons to be granted HCSS ESOS; (b) number of options to be offered; and (c) recommendations for modification to the HCSS ESOS.
Size of HCSS ESOS	The aggregate number of shares which may be offered under the Share Plans should not exceed 15.0% of the Company's total issued capital (excluding treasury shares) on the date preceding the date of the relevant grant.
Exercise Period	No minimum exercise period is prescribed under the HCSS ESOS for options and the length of the exercise period in respect of each option will be determined on a case-by-case basis by the Administration Committee.
Exercise Price of Options under the HCSS ESOS	The Exercise Price for each option shall be determined by the Administration Committee, in its absolute discretion, on the date of grant, at:– (a) a price equal to the market price; or (b) a price which is set at a discount to the market price, provided that: (i) the maximum discount shall not exceed 20.0% of the market price (or such other percentage or amount as may be determined by the Administration Committee and permitted by the SGX-ST); and (ii) the shareholders in general meeting shall have authorized, in a separate resolution, the making of offers and grants of options under the HCSS ESOS at a discount not exceeding the maximum discount as aforesaid.

The aggregate number of shares which may be offered under the Share Plans should not exceed 15.0% of the Company's total issued capital (excluding treasury shares) on the date preceding the date of the relevant grant. The Share Plans were adopted on 28 September 2016 for a period of ten 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 2022. Further details on the HCSS ESOS are set out in the Company's Offer Document dated 25 October 2016.

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The RC performed the following activities in FY2022:–

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

(C) ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

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

The Board is responsible for the governance of risk. It ensures that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets. The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. The Company is of the view that a separate Board Risk Committee is not required for the time being.

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

Management is responsible to the Board for the design, implementation, and monitoring of the Group's risk management and internal control systems and to provide the Board with a basis to determine the Group's level of risk tolerance and risk policies. The Board and the AC work with the internal auditors, external auditors, and Management on their recommendations to institute and execute relevant controls to manage the risks identified in the assessment.

The Board received assurance from the CEO and the Chief Financial Officer ("**CFO**") that the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and the Group's risk management and internal control systems are adequate and effective as at 31 May 2022.

Based on the internal controls established and maintained by the Group, work performed by the internal auditors, discussions with external auditors, reviews performed by Management and the assurances provided by the CEO and CFO as stated in the above paragraph, the Board, with the concurrence of the AC, is of the view that the Group's internal controls (including financial, operational and compliance and information technology controls) and risk management systems were adequate and effective for FY2022.

Audit Committee

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

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

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

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

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Mr. Chong Weng Hoe graduated from National University of Singapore with a Bachelor of Engineering (Electrical) in June 1989 and obtained a Master of Business Administration (Accountancy) from the Nanyang Technological University in March 1997. He has held numerous positions within TÜV SÜD PSB Pte. Ltd. since 1991 and sits on several listed companies as independent director.

Mr. Lim Chye Lai, Gjan graduated from Temasek Polytechnic with a Diploma in Electronics in 1998 and has worked in the medical equipment industry for over 20 years.

More detailed profiles of the Directors can be found on pages 14 and 15 of the Annual Report.

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

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

The duties of the AC include:–

- review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;

- review at least annually the adequacy and effectiveness of the Group's internal controls and risk management systems;

- review the assurance from the CEO and the CFO on the financial records and financial statements;

- make recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;

- review the adequacy, effectiveness, independence, scope and results of the external audit and the internal audit functions; and

- review the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on, and ensure that the Company publicly discloses, and clearly communicates to employees, the existence of a whistleblowing policy and procedures for raising such concerns.

During the course of review of the financial statements for FY2022, the AC discussed with Management and the external auditors on the significant issues that were brought to the AC's attention. Material issues which the external auditors assessed to be most significant in its audit of the financial statements for the year under review are highlighted in the key audit matters section of Independent Auditor's Report.

The AC reviewed the work performed by Management and made enquiries relevant to the key audit matters. In addition, the AC 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 FY2022 are as stated below.

External Auditors Fees for FY2022	S$	% of total fees
Total audit fees	189,000	100.0
Total non-audit fees	–	–
Total fees paid	189,000	100.0

There were no non-audit fees paid to the external auditors for FY2022. The AC has reviewed and confirmed the objectivity of the external auditors.

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The Company and the Group have complied with Catalist Rules 712 and 715 in the appointment of its auditors. The AC recommends to the Board the re-appointment of Messrs. BDO LLP as the external auditors of the Company at the forthcoming AGM, taking into consideration the Audit Quality Indicators Disclosure Framework published by the Accounting and Corporate Regulatory Authority.

In the course of FY2022, the AC carried out the following activities:–

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

The Group recognises the importance of providing the Board with accurate and relevant information on a timely basis. Management provides the Board with management accounts, operations reviews and related explanations together with the financial statements on a half-yearly basis and as the Board may require from time to time. The AC reviews the financial statements and reports to the Board for approval.

The Board reviews and approves the results before its release. For FY2022, the Board had provided shareholders with half-yearly and annual financial reports. The financial statements for the half-year and the full financial year were released to shareholders within the timeframe in line with Rule 705 of the Catalist Rules. In presenting the financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of the Group's performance, position and prospects.

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

The Company has adopted a whistleblowing policy since 2016 which sets the framework to encourage the reporting in good faith of serious concerns or escalate serious matters on a confidential basis without fear of reprisal, dismissal, or discriminatory treatment. The whistleblowing policy provides procedures to validate concerns and for investigation to be carried out independently, and has been circulated to all employees of the Group and is available on the Company's website. An independent function has been designated to investigate whistleblowing reports made in good faith. The person in charge of receiving whistleblowing reports is Mr. Ooi Seng Soon, the Company's AC Chairman, and the AC is responsible for the oversight of and monitoring of any whistleblowing reports. Under the whistleblowing policy, the Group ensures that the identity of the whistleblower is kept confidential. The Group is committed to ensuring the protection of the whistleblower against detrimental or unfair treatment. No whistleblowing report was received in FY2022.

Prior to 1 February 2022, the Company had outsourced its internal audit function to TRS Forensics Pte Ltd ("**TRS**") and with effect from 1 February 2022, the Company has appointed NLA Risk Consulting Pte Ltd ("**NLA**") to replace TRS as its internal auditors. The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the firm for the internal audit function. The internal audit function has unfettered access to the Company's documents, records, properties and personnel, including the AC, and has appropriate standing within the Company.

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Notwithstanding the change in the internal auditing firm, Mr. Gary Ng, the head of internal audit in NLA, was previously the head of internal audit in TRS, providing continuity to the Group for its FY2022 internal audit. Mr. Gary Ng, is a Certified Internal Auditor and Chartered Accountant of Singapore, who has close to 20 years of external and internal audit experience. He graduated from Nanyang Technological University with a Bachelor of Accountancy. The team members supporting him include members of the Institute of Internal Auditors and cybersecurity professionals. The internal audit team was guided by the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors in carrying out its functions.

NLA is part of NLA DFK, a group of accounting and corporate advisory firms, providing various professional services for many years. NLA DFK is a member of one of the top 10 international associations of independent accounting firms and business advisers. NLA is a corporate member of the Institute of Internal Auditors, Singapore and currently is the internal auditor for over 10 listed companies in Singapore.

The AC conducts regular meetings with the internal auditors to evaluate the system of internal controls, the review of cybersecurity, their audit findings, the adequacy and the effectiveness of financial, operational and compliance controls as well as overall risk management of the Company.

The AC is satisfied with the independence, adequacy and effectiveness of its outsourced internal auditors.

The AC has met with the external auditors and the internal auditors, without the presence of Management, twice in FY2022.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

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

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

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

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

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

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

The Company sends its Annual Report and Notice of general meetings to all shareholders (save as directed under the provisions of the COVID-19 ((Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**Order 2020**")). The Notice will nevertheless be made available on SGXNet and the Company's website.

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

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

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

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

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

In view of the COVID-19 pandemic, the last AGM of the Company on 28 September 2021 was held by electronic means pursuant to the Order 2020. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via live audio-visual webcast or live audio-only feed), submission of questions to the Chairman of the AGM in advance of the AGM, addressing substantial and relevant questions prior to or at the meetings and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Notice of AGM.

All Directors attended the AGM of the Company held on 28 September 2021.

The forthcoming AGM of the Company will also be held by way of electronic means pursuant to the Order 2020. Shareholders will not be able to attend the AGM in person, but they may observe the proceedings of the AGM by live audio-visual webcast or live audio-only feed. Shareholders may appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM. Shareholders may submit questions relating to the business of the meeting in advance. Please refer to the Notice of AGM of the forthcoming AGM for more information.

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

The Company does not have a fixed dividend policy. However, the Directors target to recommend and distribute dividends of not less than 70.0% of the Group's operating profit after tax to shareholders. The Company may declare an annual dividend with the approval of the shareholders in a general meeting, but the amount of such dividend shall not exceed the amount recommended by the Board. The Board may also declare an interim dividend without the approval of the shareholders. For FY2022, the Company had paid an interim dividend of 1.4 Singapore cents per ordinary share and is recommending a final dividend of 1.2 Singapore cents per ordinary share to be approved by shareholders at the forthcoming AGM. Subject to shareholders' approval of the final dividend, the aggregate amount of dividends recommended and/or distributed per ordinary share would be 2.6 Singapore cents for FY2022, representing approximately 60.7% of the Group's earnings per share of 4.28 Singapore cents for FY2022, and 60.2% of the Group's operating profit after tax, lower than 70.0% in view of the COVID-19 pandemic, so as to conserve cash.

Engagement With Shareholders

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

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

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

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

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

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

(E) MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement With Stakeholders

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

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

The Company's strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period can be found in the Sustainability Report, which will be released by 31 October 2022.

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

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

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

(F) OTHER CORPORATE GOVERNANCE MATTERS

Interested Person Transactions ("IPTs")

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

The Company does not have any prior shareholders' mandate pursuant to Catalist Rule 920. There were no IPTs of S$100,000 and above entered into in FY2022.

CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

Material Contracts
Catalist Rule 1204(8)

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 FY2022 or if not then subsisting, entered into since the end of the previous financial year.

Dealing In Securities
Catalist Rule 1204(19)

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

Non-Sponsor Fees

There was no non-sponsor fee paid to the Company's sponsor, Novus Corporate Finance Pte. Ltd. in FY2022.

Sustainability Reporting
Catalist Rule 711A, 711B

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

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

The Company is in the midst of finalising its Sustainability Report for FY2022. It will be made available to the shareholders on the SGXNet and the Company's website by 31 October 2022.

DIRECTORS' STATEMENT

The directors of HC Surgical Specialists Limited (the Company) present their statement to the members together with the audited consolidated financial statements of the Company and its subsidiaries (the Group) for the financial year ended 31 May 2022 and the statement of financial position of the Company as at 31 May 2022.

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 2022, 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; and

(b) at the date of this statement, there are reasonable grounds to believe that the Group and 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 AND DEBENTURES

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

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company or its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act 1967 (the Act), except as follows:

	Shareholdings registered in the name of directors or nominees		Shareholdings in which a director is deemed to have an interest	
	Balance at 1 June 2021	Balance at 31 May 2022	Balance at 1 June 2021	Balance at 31 May 2022
<u>The Company</u>	Number of ordinary shares			
Mr. Chong Weng Hoe	167,600	167,600	–	–
Dr. Heah Sieu Min	63,988,980	63,988,980	–	–
Dr. Chia Kok Hoong	34,753,440	34,753,440	–	–
Mr. Lim Chye Lai, Gjan	220,000	220,000	30,000	30,000

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

DIRECTORS' STATEMENT

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

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 2022 in the shares of the Company have not changed from those disclosed as at 31 May 2022.

5. SHARE OPTIONS

No options were granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

No shares were 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 at the end of the financial year.

Employee Share Option Scheme

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

Performance Share Plan

The Company has implemented a Performance Share Plan known as the HCSS Performance Share Plan (HCSS PSP). The HCSS PSP was approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 28 September 2016. 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 two 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 compiled by the Group's internal and external auditors;

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

(iv) reviewing the assurance from the Chief Executive Officer and Chief Financial Officer on the financial records and financial statements;

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

DIRECTORS' STATEMENT

6. AUDIT COMMITTEE (CONTINUED)

(vi) reviewing the adequacy, effectiveness, independence, scope and results of the external audit, and the Company's internal audit functions;

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

(viii) making recommendation to the Board of Directors on the proposals to shareholders on the appointment and removal of the external auditors, and the remuneration and terms of engagement of the external auditors;

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

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

(xi) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on, and ensuring that the Company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns;

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

(xiii) reviewing any potential conflicts of interest;

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

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

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

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

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

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

DIRECTORS' STATEMENT

7. INDEPENDENT AUDITOR

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

On behalf of the Board of Directors,

Dr. Heah Sieu Min
Director

Dr. Chia Kok Hoong
Director

Singapore
30 August 2022

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HC SURGICAL SPECIALISTS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HC Surgical Specialists Limited (the Company) and its subsidiaries (the Group) as set out on pages 67 to 146, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 May 2022;
- 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 1967 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 May 2022, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *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 AUDITORS' REPORT

TO THE MEMBERS OF HC SURGICAL SPECIALISTS LIMITED

Key Audit Matters

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

KEY AUDIT MATTER	AUDIT RESPONSE
1 Impairment assessment of goodwill	
As at 31 May 2022, the Group's goodwill amounted to approximately $4,035,000. Under SFRS(I) 1-36 *Impairment of Assets*, the Group is required to test goodwill for impairment annually, or more frequently if there are indicators that goodwill may be impaired. For the purpose of impairment assessment, the management applied the value-in-use (discounted cash flow forecasts) method to determine the recoverable amounts for the respective cash generating units to which the goodwill belong. Any shortfall between the recoverable amount and the carrying amount of the respective cash generating unit would be recognised as an impairment loss. Arising from the assessment, an impairment loss of goodwill of approximately $745,000 was recognised during the financial year. We have determined impairment assessment of goodwill to be a key audit matter as the impairment assessment involved significant management judgements and estimates with regard to the key assumptions used in estimating the discounted future cash flows, such as the revenue growth rates and the discount rate. Refer to Notes 3.2(ii), 5 and 33 to the accompanying financial statements.	We performed the following audit procedures, amongst others: • Discussed with management and evaluated the reasonableness of the key assumptions made by management in preparing the discounted cash flows, including performing analytical procedures and comparing the revenue growth rates against historical performance and industry outlook, as appropriate; • Engaged our internal valuation specialists to evaluate reasonableness of the discount rate used; • Performed sensitivity analysis around the key assumptions, including the revenue growth rates and discount rate used in the cash flow forecasts; and • Assessed the adequacy of the disclosure in the financial statements with respect to the goodwill impairment.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HC SURGICAL SPECIALISTS LIMITED

Key Audit Matters (Continued)

KEY AUDIT MATTER	AUDIT RESPONSE
2 Impairment assessment of investments in subsidiaries and associate	
As at 31 May 2022, the carrying amount of the Company's investments in subsidiaries and associate amounted to approximately $14,339,000 and $480,000 respectively. The subsidiaries and associate comprise a network of clinics located throughout Singapore and are primarily engaged in providing medical services such as endoscopic procedures, including gastroscopies and colonoscopies, and general surgery services with a focus on colorectal procedures. During the financial year ended 31 May 2022, arising from indicators of impairment in certain subsidiaries and associate, the management carried out an impairment assessment to determine whether an impairment loss should be recognised in the financial statements. Management determined the recoverable amounts based on the value-in-use calculations by estimating the expected discounted future cash flows to be derived from the investments in those subsidiaries and associate. Arising from the assessment, an impairment loss of approximately $1,171,000 was recognised on the investment in subsidiaries during the financial year. We focused on the impairment assessment of investments in subsidiaries and associate as a key audit matter owing to the significant management judgements and estimates involved in the key assumptions used in estimating the expected discounted future cash flows, such as the revenue growth rates and the discount rate. Refer to Notes 3.2(i), 7 and 8 to the accompanying financial statements.	We performed the following audit procedures, amongst others: • Discussed with management and evaluated the reasonableness of the key assumptions made by management in preparing the discounted cash flows, including performing analytical procedures and comparing the revenue growth rates against historical performance and industry outlook, as appropriate; • Engaged our internal valuation specialists to evaluate reasonableness of the discount rate used; • Performed sensitivity analysis around the key assumptions, including the revenue growth rates and discount rates used in the cash flow forecasts; and • Assessed the adequacy of the disclosure in the financial statements with respect to impairment assessment of investments in subsidiaries and associate.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HC SURGICAL SPECIALISTS LIMITED

Key Audit Matters (Continued)

KEY AUDIT MATTER	AUDIT RESPONSE
3 Fair value of financial assets measured at fair value through profit or loss (FVTPL)	
As at 31 May 2022, the fair value of financial assets measured at FVTPL for the investments in quoted and unquoted equity securities amounted to approximately $10,044,000. Management has engaged independent valuers in deriving the fair value of the investments in unquoted equity securities. Based on the independent valuations as at 31 May 2022, the fair value of these investments in unquoted equity securities are approximately $1,640,000. The fair value of $1,640,000 was determined using discounted cash flow method (the income approach) and adjusted net asset value method (the asset approach). We focused on this area as a key audit matter due to the significant management judgements involved in determining the fair value of the investments as at the financial year end, taking into account that the fair values are measured using significant unobservable inputs (Level 3). Refer to Notes 3.1(i), 11 and 38.5 to the accompanying financial statements.	We performed the following audit procedures, amongst others: • Assessed the independence and competency of the independent valuers which included considering their experiences and qualification in performing valuations for the investments; • Assessed the reasonableness of the key assumptions and estimates made by management in preparing the discounted cash flows, including comparing the revenue growth rates against historical performance and industry outlook, as appropriate; • Engaged our internal valuation specialists to evaluate the valuation methodologies used and reasonableness of the key assumptions used and to benchmark the Enterprise Value/Earnings before interest, tax, depreciation and amortisation multiple against comparable companies; and • Assessed the adequacy of the related disclosure in the financial statements with respect to fair value measurement of the financial assets measured at FVTPL.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HC SURGICAL SPECIALISTS LIMITED

Key Audit Matters (Continued)

KEY AUDIT MATTER	AUDIT RESPONSE
4 Fair value of derivative financial instruments	
As at 31 May 2022, the derivative financial instruments in relation to the put option, option to re-purchase and forward purchase contracts in connection with the Company's further acquisition of the remaining issued and fully paid-up share capital held by the non-controlling interests of certain subsidiaries and an associate as disclosed in Note 7 and Note 8 to the financial statements are stated at their fair values based on independent external valuations. The fair value of these derivatives financial instruments for the Group and the Company amounted to \$1,214,000 and \$1,710,000 as at 31 May 2022 respectively. We have determined fair value of derivative financial instruments to be a key audit matter owing to the significant management judgements and estimations, including volatility rate, risk-free rate and probability of the option being exercised, involved in determining the fair value of the derivative financial instruments as at the financial year end, taking into account that the fair values are measured using significant unobservable inputs (Level 3). Refer to Notes 3.2(iv), 14 and 38.5 to the accompanying financial statements.	We performed the following audit procedures, amongst others: ● Assessed the independence and competency of the external valuer which included considering the valuer's experiences and qualification in performing valuations for such derivative financial instruments; ● Discussed with management and evaluated the reasonableness of key assumptions and estimates used in deriving the equity value and estimated profit after tax for future years; ● Engaged our internal valuation specialists to evaluate the valuation methodologies and reasonableness of the key assumptions used (i.e. volatility rate and risk-free rate) by external valuer; ● Assessed the reasonableness of the probability of exercising the put option by the Company and the probability to exercise the option to re-purchase by the non-controlling interest; and ● Assessed the adequacy of the disclosure in the financial statements with respect to fair value of derivative financial instruments.

Other Information

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HC SURGICAL SPECIALISTS LIMITED

Responsibilities of Management and Directors for the Financial Statements

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

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

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

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.

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HC SURGICAL SPECIALISTS LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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.

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Tei Tong Huat.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
30 August 2022

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MAY 2022

	Note	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
ASSETS					
Non-current assets					
Plant and equipment	4	**1,496**	1,872	**12**	23
Intangible assets	5	**4,037**	4,786	**2**	5
Right-of-use assets	6	**2,383**	3,002	**99**	159
Investments in subsidiaries	7	**–**	–	**14,339**	5,760
Investment in associate	8	**480**	480	**480**	480
Investment in joint ventures	9	**182**	272	**182**	272
Debt instruments at amortised cost	10	**1,882**	1,882	**1,882**	1,882
Financial assets at fair value through profit or loss (FVTPL)	11	**10,044**	8,260	**10,044**	8,260
Deferred tax assets	12	**99**	75	**–**	–
Derivative financial instruments	14	**1,242**	1,242	**1,738**	1,856
Other receivables	13	**–**	–	**36**	172
		21,845	21,871	**28,814**	18,869
Current assets					
Inventories	15	**376**	325	**–**	–
Trade and other receivables	13	**1,556**	2,851	**1,909**	3,473
Prepayments		**255**	246	**114**	106
Derivative financial instruments	14	**–**	–	**–**	494
Cash and bank balances	16	**6,928**	10,988	**2,837**	5,132
		9,115	14,410	**4,860**	9,205
Total assets		**30,960**	36,281	**33,674**	28,074

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MAY 2022 (CONTINUED)

		Group		Company	
	Note	2022	2021	2022	2021
		$'000	$'000	$'000	$'000
EQUITY AND LIABILITIES					
Equity					
Share capital	17	**15,419**	15,419	**15,419**	15,419
Treasury shares	18	**(996)**	(996)	**(996)**	(996)
Merger reserve	19	**(815)**	(815)	**–**	–
Capital reserve	20	**(13,652)**	(3,930)	**(164)**	(164)
Other reserve	21	**(2,633)**	(12,658)	**–**	–
Retained earnings	22	**13,677**	12,806	**6,383**	6,787
Equity attributable to owners of the parent		**11,000**	9,826	**20,642**	21,046
Non-controlling interests		**221**	922	**–**	–
Total equity		**11,221**	10,748	**20,642**	21,046
Non-current liabilities					
Deferred tax liabilities	12	**98**	127	**–**	–
Derivative financial instruments	14	**28**	28	**28**	28
Other financial liabilities	23	**2,096**	11,950	**–**	–
Other payables	27	**5,723**	–	**5,723**	–
Bank borrowing	24	**2,550**	3,750	**2,550**	3,750
Provisions	25	**106**	122	**21**	21
Lease liabilities	26	**1,492**	1,878	**76**	274
		12,093	17,855	**8,398**	4,073
Current liabilities					
Trade and other payables	27	**4,436**	3,643	**3,060**	1,224
Other financial liabilities	23	**–**	171	**–**	–
Bank borrowing	24	**1,237**	1,250	**1,237**	1,250
Lease liabilities	26	**973**	1,167	**198**	340
Current income tax payable		**1,000**	1,447	**139**	141
		7,646	7,678	**4,634**	2,955
Total liabilities		**19,739**	25,533	**13,032**	7,028
Total equity and liabilities		**30,960**	36,281	**33,674**	28,074

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

	Note	2022 $'000	2021 $'000
Revenue	28	**19,311**	23,358
Other items of income/(loss)			
Other income	29	**1,456**	1,186
Gain on derecognition of financial assets	13	**379**	–
Fair value gain on financial assets at FVTPL	11	**608**	463
Fair value loss on derivative financial instruments	14	**–**	(679)
Gain on modification of debt instruments at amortised cost	10	**–**	32
Gain on modification of other financial liabilities	23	**–**	537
Items of expense			
Changes in inventories		**51**	(145)
Inventories, consumables and surgery expenses		**(2,695)**	(2,933)
Employee benefits expense	30	**(6,823)**	(7,507)
Depreciation and amortisation	31	**(1,669)**	(1,715)
Lease expenses		**(57)**	163
Other expenses		**(2,340)**	(2,284)
Finance costs	32	**(474)**	(208)
Profit before income tax	33	**7,747**	10,268
Income tax expense	34	**(944)**	(1,414)
Profit for the financial year, representing total comprehensive income for the financial year		**6,803**	8,854
Profit and total comprehensive income attributable to:			
Owners of the parent		**6,380**	8,000
Non-controlling interests		**423**	854
		6,803	8,854
Earnings per share (in cents)			
- Basic and diluted	35	**4.28**	5.33

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

	Note	Share capital $'000	Treasury shares $'000	Merger reserve $'000	Capital reserve $'000	Other reserve $'000	Retained earnings $'000	Equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 June 2021		15,419	(996)	(815)	(3,930)	(12,658)	12,806	9,826	922	10,748
Profit for the financial year		–	–	–	–	–	6,380	6,380	423	6,803
Total comprehensive income for the financial year		–	–	–	–	–	6,380	6,380	423	6,803
Distributions to owners										
Dividends	36	–	–	–	–	–	(5,509)	(5,509)	–	(5,509)
Total transactions with owners		–	–	–	–	–	(5,509)	(5,509)	–	(5,509)
Transactions with non-controlling interests										
Acquisition of non-controlling interest without a change in control		–	–	–	(9,722)	8,182	–	(1,540)	(28)	(1,568)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	(1,096)	(1,096)
Total transactions with non-controlling interests		–	–	–	(9,722)	8,182	–	(1,540)	(1,124)	(2,664)
Others										
Present value of forward purchase contract	23, 21	–	–	–	–	1,843	–	1,843	–	1,843
Total others		–	–	–	–	1,843	–	1,843	–	1,843
Balance at 31 May 2022		15,419	(996)	(815)	(13,652)	(2,633)	13,677	11,000	221	11,221

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

	Note	Share capital $'000	Treasury shares $'000	Merger reserve $'000	Capital reserve $'000	Other reserve $'000	Retained earnings $'000	Equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 June 2020		15,419	(541)	(815)	(3,773)	(2,417)	8,408	16,281	264	16,545
Profit for the financial year		–	–	–	–	–	8,000	8,000	854	8,854
Total comprehensive income for the financial year		–	–	–	–	–	8,000	8,000	854	8,854
Distributions to owners										
Acquisition of a subsidiary	18	–	313	–	(157)	–	–	156	–	156
Purchase of treasury shares	18	–	(768)	–	–	–	–	(768)	–	(768)
Dividends	36	–	–	–	–	–	(3,602)	(3,602)	–	(3,602)
Total transactions with owners		–	(455)	–	(157)	–	(3,602)	(4,214)	–	(4,214)
Transactions with non-controlling interests										
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	(196)	(196)
Total transactions with non-controlling interests		–	–	–	–	–	–	–	(196)	(196)
Others										
Present value of forward purchase contract	23, 21	–	–	–	–	(10,241)	–	(10,241)	–	(10,241)
Total others		–	–	–	–	(10,241)	–	(10,241)	–	(10,241)
Balance at 31 May 2021		15,419	(996)	(815)	(3,930)	(12,658)	12,806	9,826	922	10,748

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

	Note	2022 $'000	2021 $'000
Operating activities			
Profit before income tax		**7,747**	10,268
Adjustments for:			
Allowance for impairment loss on debt instruments at amortised cost	10	**–**	150
Allowance for impairment loss on goodwill	5	**745**	–
Allowance for impairment loss on plant and equipment	4	**7**	–
Allowance for impairment loss on right-of-use assets	6	**12**	–
Amortisation of intangible assets	5	**4**	7
Third parties trade receivables written off	13	**3**	–
Depreciation of plant and equipment	4	**505**	492
Depreciation of right-of-use assets	6	**1,160**	1,216
Dividend income from a joint venture	29	**(19)**	(23)
Dividend income from financial assets at FVTPL	29	**(655)**	(294)
Gain on derecognition of financial assets	13	**(379)**	–
Fair value gain on financial assets at FVTPL	11	**(608)**	(463)
Fair value loss on derivative financial instruments	14	**–**	679
Loss/(Gain) on disposal of plant and equipment		**15**	(1)
Gain on lease modification		**–**	(1)
Loss on lease written off		**5**	–
Gain on modification of debt instruments at amortised cost	10	**–**	(32)
Gain on modification of other financial liabilities	23	**–**	(537)
Interest expense	32	**474**	208
Interest income	29	**(145)**	(167)
Inventories written off	15	**13**	21
Reversal of loss allowance made for third parties trade receivables	13	**–**	(1)
Plant and equipment written off	4	**48**	3
Reversal of provision for reinstatement not utilised	25	**(16)**	(23)
Rent concession	26	**(14)**	(196)
Operating cash flows before working capital changes		**8,902**	11,306
Working capital changes:			
Inventories		**(64)**	124
Trade and other receivables		**764**	(830)
Prepayments		**(9)**	75
Trade and other payables		**(1,017)**	932
Cash generated from operations		**8,576**	11,607
Income tax paid		**(1,444)**	(857)
Net cash generated from operating activities		**7,132**	10,750

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

	Note	2022 $'000	2021 $'000
Investing activities			
Acquisition of a subsidiary, net of cash acquired	7	–	(561)
Acquisition of additional equity interest in financial assets at FVTPL	11	(202)	–
Dividend income from a joint venture	29	19	23
Dividend received from financial assets at FVTPL	29	655	294
Interest received		68	90
Investment in a joint venture	9	–	(182)
Proceeds from capital reduction in financial assets at FVTPL	11	100	16
Proceeds from disposal of plant and equipment		21	20
Purchase of plant and equipment	4	(220)	(511)
Net cash generated from/(used in) investing activities		441	(811)
Financing activities			
Acquisition of non-controlling interests in subsidiaries	7	(2,512)	–
Dividends paid to owners of the parent	36	(5,509)	(3,602)
Dividends paid to non-controlling interests		(1,096)	(196)
Interest paid		(88)	(99)
Purchase of treasury shares	18	–	(768)
Repayment of bank borrowings		(1,213)	–
Repayment of principal portion of lease liabilities	A	(1,124)	(966)
Repayment of interest portion of lease liabilities	A	(91)	(108)
Net cash used in financing activities		(11,633)	(5,739)
Net change in cash and cash equivalents		(4,060)	4,200
Cash and cash equivalents at beginning of financial year		10,988	6,788
Cash and cash equivalents at end of financial year	16	6,928	10,988

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

Note A: Reconciliation of liabilities arising from financing activities:

				Non-cash changes			
	1 June 2021	Cash flows	Additions	Lease written off	Rent concession	Accretion of interest	31 May 2022
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Lease liabilities	3,045	(1,215)	642	(84)	(14)	91	2,465

				Non-cash changes			
	1 June 2020	Cash flows	Additions	Lease remeasurement /modification	Rent concession	Accretion of interest	31 May 2021
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Lease liabilities	2,728	(1,074)	838	641	(196)	108	3,045

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

1. GENERAL CORPORATE INFORMATION

HC Surgical Specialists Limited (the Company) is a public limited company incorporated and domiciled in Singapore. The Company is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (SGX-ST).

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

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

The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

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

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

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

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

<u>Changes in accounting policies</u>

New standards, amendments and interpretations effective from 1 June 2021

The standards, amendments to standards, and interpretations, issued by Accounting Standards Council Singapore (ASC) that will apply for the first time by the Group and the Company are not expected to impact the Group and the Company as they are either not relevant to the Group and the Company's business activities or require accounting which is consistent with the Group and the Company's current accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations issued but not yet effective

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

			Effective date (annual periods beginning on or after)
SFRS(I) 10 and SFRS(I) 1-28 (Amendments)	:	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
SFRS(I) 17	:	Insurance Contracts	1 January 2023
SFRS(I) 1-1 (Amendments)	:	Classification of Liabilities as Current or Non-current	1 January 2023
SFRS(I) 1-12 and SFRS(I) 1-1 (Amendments)	:	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
SFRS(I) 3 (Amendments)	:	Reference to the Conceptual Framework	1 January 2022
SFRS(I) 1-16 (Amendments)	:	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
SFRS(I) 1-37 (Amendments)	:	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Various amendments	:	Annual improvements to SFRS(I)s 2018 - 2020	1 January 2022
Various amendments	:	Amendments to SFRS(I) 17	1 January 2023
Various amendments	:	SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
SFRS(I) 1-8 (Amendment)	:	Definition of Accounting Estimates	1 January 2023
SFRS(I) 17 (Amendments)	:	Initial Applications of SFRS(I) 17 and SFRS(I) 9 – Comparative information	1 January 2023

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

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

2.2 Basis of consolidation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

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

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

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

When the Group loses control of subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of.

The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

2.3 Business combinations

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

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

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

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

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

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

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

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

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

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

Acquisition under common control

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

2.4 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 its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Plant and equipment (Continued)

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets (Continued)

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.

2.6 Subsidiaries

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 investments in associates.

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

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

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

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

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

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

2.8 Joint venture

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Joint venture (Continued)

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

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

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

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

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

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

2.9 Impairment of non-financial assets excluding goodwill

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

2.10 Inventories

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

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

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

2.11 Financial instruments

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

2.12 Financial assets

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

Amortised cost

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

Amortised cost (Continued)

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

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

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

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

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

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

<u>Derecognition of financial assets</u>

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

2.13 Cash and cash equivalents

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

2.14 Equity instruments

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Equity instruments (Continued)

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

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

2.15 Financial liabilities

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

(i) Trade and other payables

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

(ii) Borrowings

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

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

(iii) Other financial liabilities

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

Derecognition of financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Derivative financial instruments

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

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

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

2.17 Revenue recognition

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

<u>Provision of medical services</u>

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

<u>Consultancy fee income</u>

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

<u>Facility fee income</u>

Facility income is recognised on a straight-line basis over the term of the agreement.

<u>Management fee income</u>

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

<u>Interest income</u>

Interest income is recognised using the effective interest rate method.

<u>Dividend income</u>

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Grants

Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grants relate to expenditures, which are not capitalised, the fair value of grants are credited to profit or loss as and when the underlying expenses are included and recognised in profit or loss to match such related expenditures. Grants related to an asset may be presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset.

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

2.19 Leases

Group as lessee

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

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

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

Initial measurement

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Leases (Continued)

Group as lessee (Continued)

Initial measurement (Continued)

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

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

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

Subsequent measurement

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

Right-of-use assets are depreciated to profit or loss using the straight-line method over the remaining lease term of office and clinic premises, ranging from 1 to 7 years.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Leases (Continued)

Group as lessee (Continued)

Subsequent measurement (Continued)

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

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;

- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use being adjusted by the same amount.

- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the negotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

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

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

2.20 Employee benefits

Defined contribution plans

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

Employee leave entitlements

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

Employee performance share plan

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Borrowing costs

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

2.22 Taxes

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

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

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 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Taxes (Continued)

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales taxation that is incurred on purchase of assets or services is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.23 Dividends

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

2.24 Segment reporting

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

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

2.25 Provisions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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 of financial assets measured at fair value through profit or loss

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

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

Fair value of Investment I is determined based on adjusted net asset value method (2021: discounted cash flow method) due to a change in principal activity to that of an investment holding. Some of the inputs to this model may not be market observable and are therefore estimated based on assumptions. Changes in assumptions could affect the reported fair value of the financial assets significantly.

A sensitivity analysis for the impact of changes in key inputs used in valuation of Investment I is disclosed in Note 38.5 to the financial statements.

(ii) Critical judgement over lease term

As at 31 May 2022, the Group's and the Company's lease liabilities, which are measured with reference to an estimate of the lease term, amounted to $2,465,000 and $274,000 (2021: $3,045,000 and $614,000) respectively, of which $521,000 and $270,000 (2021: $698,000 and $270,000) arose from extension options respectively. Extension options is included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise the extension option.

For lease of clinic premises and office premises, the following factors are considered to be most relevant:

- if any leasehold improvements are expected to have a significant remaining value, the Group and the Company typically include the extension option in lease liabilities;
- If the clinic premises is located in a strategic location that will contribute to the continued profitability of the Group and the Company, the Group and the Company typically include the extension option in lease liabilities; and
- Otherwise, the Group and the Company consider other factors including its historical lease periods for similar assets, costs required to obtain replacement assets, and business disruptions.

The assessment of reasonably certain to exercise extension options is only revised if a significant change in circumstances occurs that is within the control of the lessee.

As at 31 May 2022, potential future (undiscounted) cash outflows of approximately $2,281,000 and $731,000 (2021: $1,489,000 and $731,000) have not been included in lease liabilities of the Group and the Company because it is not reasonably certain that the leases will be extended.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

3.2 Key sources of estimation uncertainty

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

(i) Impairment of investments in subsidiaries and associate

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

Investments in subsidiaries and associate are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amounts of these assets and where applicable, cash-generating units (CGU) have been determined based on value-in-use calculations. The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The Company's carrying amount of investments in subsidiaries and associate as at 31 May 2022 were $14,339,000 (2021: $5,760,000) and $480,000 (2021: $480,000) respectively and an allowance for impairment loss on investments in subsidiaries of approximately $1,171,000 (2021: $Nil) was recognised during the financial year ended 31 May 2022 as disclosed in Note 7 to the financial statements.

(ii) Goodwill

Management determines whether goodwill is impaired at least on an annual basis and whenever there is an indication that they are impaired. The process of evaluating potential impairment of goodwill requires significant judgements and assumptions. Management estimates the recoverable amount of the CGU to which the goodwill has been allocated. Recoverable amount of the CGU is determined based on value-in-use calculations. The value-in-use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to discount rate and revenue growth rates used for the discounted cash flow model. Any excess of the carrying values over the discounted future cash flows are recognised as impairment loss in the consolidated statement of comprehensive income. The carrying amount of the Group's goodwill as at 31 May 2022 was $4,035,000 (2021: $4,780,000) and an allowance for impairment loss of $745,000 (2021: $Nil) was recognised as disclosed in Note 5 to the financial statements.

(iii) Loss allowance for trade and other receivables

Trade and other receivables

Management determines the expected loss based on the simplified approach arising from default for trade receivables, by categorising them based on its historical loss pattern, historical payment profile as well as credit risk profile of customers. Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately. Specific allowance for impairment of trade receivables was made for those customers identified in financial difficulties during the financial year. For non-trade receivables, management considers the performance, financial capability as well as payment profile of these non-trade receivables in order to determine the appropriate stage of expected credit loss for these receivables. Probability or risk of default is then being estimated by considering the future conditions. The carrying amounts of trade and other receivables are disclosed in Note 13 to the financial statements. A loss allowance amounted to $Nil (2021: $1,000) was recognised during the financial year ended 31 May 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

3.2 Key sources of estimation uncertainty (Continued)

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

Amounts due from subsidiaries, associate and joint venture

Management determines whether there is significant increase in credit risk of these subsidiaries, associate and joint venture since initial recognition. Management reviews the financial performance and results of these subsidiaries, associate and joint venture. There was no loss allowance recognised during the financial year ended 31 May 2022 and 31 May 2021. The amounts due from subsidiaries, associate and joint venture are disclosed in Note 13 to the financial statements.

(iv) Fair value of derivative financial instruments

The derivative financial instruments arise from the granting of options to re-purchase, put option and forward purchase contracts for the acquired subsidiaries as disclosed in Note 14 to the financial statements, and are measured at fair value as at the end of the reporting period.

Put option

As at the end of the reporting period, the fair value of derivative financial instrument has been determined by management, assisted by its external valuer, and is considered as level 3 recurring fair value measurements. The significant judgement and assumptions to the valuation include expected volatility rate and risk-free rate. Significant assumptions were made by the management in estimating the probability of the option being exercised as at the end of the reporting period. The carrying values of the derivative financial instrument of the Group and the Company relating to the put option as at 31 May 2022 were $302,000 (2021: $302,000).

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 higher or lower by $302,000 (2021: $302,000) respectively.

Option to re-purchase

As at the end of the reporting period, the fair value of derivative financial instrument has been determined by management, assisted by its external valuer, and is considered as level 3 recurring fair value measurements. The significant judgement and assumptions to the valuations include expected volatility rate and risk-free rate. Significant assumptions were made by the management in estimating the probability of the option being exercised as at the end of the reporting period. The carrying values of the derivative financial instruments of the Group and the Company relating to the option to re-purchase as at 31 May 2022 were $28,000 (2021: $28,000).

If the probability that the option is exercised is higher or lower by 5% from management's estimates, the Group's profit would have been lower or higher by $28,000 (2021: $28,000) respectively.

Forward purchase contracts

As at the end of the reporting period, the fair values of derivative financial instruments have been determined by management, assisted by its external valuer, and are considered as level 3 recurring fair value measurements. The significant judgements and assumptions to the valuations include estimated profit after tax for future years and risk-free rate. The carrying value of the derivative financial instrument of the Group relating to the forward purchase contract asset as at 31 May 2022 was $940,000 (2021: $940,000). The carrying values of the derivative financial instruments of the Company relating to the forward purchase contracts assets as at 31 May 2022 was $1,436,000 (2021: $2,048,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

3.2 Key sources of estimation uncertainty (Continued)

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

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

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

The recoverable amount is sensitive to discount rates used for the discounted cash flow model as well as the revenue growth rates used. The management carried out an impairment review of plant and equipment and right-of-use assets and the impairment loss on plant and equipment and right-of-use assets charged to statement of comprehensive income for the financial year ended 31 May 2022 amounted to $7,000 and $12,000 (2021: $Nil and $Nil) respectively. The carrying amount of the Group's and the Company's plant and equipment were $1,496,000 (2021: $1,872,000) and $12,000 (2021: $23,000) respectively and right-of-use assets as at 31 May 2022 were $2,383,000 (2021: $3,002,000) and $99,000 (2021: $159,000) respectively.

(vi) Accounting for leases

The Group and the Company have determined the discount rate by reference to the respective lessee's incremental borrowing rate when the rate inherent in the lease is not readily determinable. The Group and the Company obtain the relevant market interest rate after considering the applicable geographical location where the lessee operates as well as the term of the lease. Management considers its own credit spread information from its recent borrowings, industry data available as well as any security available in order to adjust the market interest rate obtained from similar economic environment, term and value of the lease.

The incremental borrowing rate applied to lease liabilities as at 31 May 2022 was 3.67% (2021: 3.67%). The carrying amount of lease liabilities of the Group and the Company as at 31 May 2022 were $2,465,000 and $274,000 (2021: $3,045,000 and $614,000) respectively. If the incremental borrowing rate had been 0.5% higher or lower than management's estimates, the Group's and the Company's lease liabilities would have been lower or higher by $23,000 and $1,000 (2021: $28,000 and $3,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

4. PLANT AND EQUIPMENT

	Computer $'000	Furniture, fittings and office equipment $'000	Medical equipment $'000	Renovation $'000	Total $'000
Group					
Cost					
Balance at 1 June 2021	167	189	1,946	1,465	3,767
Additions	12	8	165	35	220
Written off	(12)	(8)	(137)	(167)	(324)
Disposals	(2)	–	(154)	–	(156)
Balance at 31 May 2022	165	189	1,820	1,333	3,507
Accumulated depreciation and impairment					
Balance at 1 June 2021	134	145	820	796	1,895
Depreciation for the financial year	20	15	225	245	505
Impairment loss for the financial year	1	–	–	6	7
Written off	(11)	(7)	(106)	(152)	(276)
Disposals	(2)	–	(118)	–	(120)
Balance at 31 May 2022	142	153	821	895	2,011
Net carrying amount					
Balance at 31 May 2022	23	36	999	438	1,496
Cost					
Balance at 1 June 2020	155	176	1,780	1,405	3,516
Additions	22	23	226	240	511
Written off	(10)	(10)	(3)	(180)	(203)
Disposals	–	–	(57)	–	(57)
Balance at 31 May 2021	167	189	1,946	1,465	3,767
Accumulated depreciation and impairment					
Balance at 1 June 2020	120	137	648	736	1,641
Depreciation for the financial year	24	17	211	240	492
Written off	(10)	(9)	(1)	(180)	(200)
Disposals	–	–	(38)	–	(38)
Balance at 31 May 2021	134	145	820	796	1,895
Net carrying amount					
Balance at 31 May 2021	33	44	1,126	669	1,872

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

4. PLANT AND EQUIPMENT (CONTINUED)

	Computer $'000	Furniture, fittings and office equipment $'000	Renovation $'000	Total $'000
Company				
Cost				
Balance at beginning and end of financial year	34	19	43	96
Accumulated depreciation				
Balance at 1 June 2021	28	18	27	73
Depreciation for the financial year	3	1	7	11
Balance at 31 May 2022	31	19	34	84
Net carrying amount				
Balance at 31 May 2022	3	–	9	12
Cost				
Balance at 1 June 2020	30	19	43	92
Additions	5	–	–	5
Written off	(1)	–	–	(1)
Balance at 31 May 2021	34	19	43	96
Accumulated depreciation				
Balance at 1 June 2020	26	14	18	58
Depreciation for the financial year	3	4	9	16
Written off	(1)	–	–	(1)
Balance at 31 May 2021	28	18	27	73
Net carrying amount				
Balance at 31 May 2021	6	1	16	23

During the financial year, the Group carried out a review of the recoverable amount of its plant and equipment for clinic premises (CGUs) with indications of impairment. The recoverable amount of the relevant assets of $148,129 has been determined based on its value-in-use calculations. The discount rate used in measuring value in use was 10.5%.

Following the review, there was a clinic premises having plant and equipment that are not expected to generate sufficient cash flows in comparison to their carrying amounts. An impairment loss on plant and equipment of approximately $7,000 (2021: $Nil), representing the write-down of the excess of the carrying amount over the recoverable amount of the relevant plant and equipment was recognised in the consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

5. INTANGIBLE ASSETS

	Goodwill	Computer software	Total
	$'000	$'000	$'000
Group			
Cost			
Balance at 1 June 2021	5,917	56	5,973
Written off	–	(25)	(25)
Balance at 31 May 2022	5,917	31	5,948
Accumulated amortisation and impairment			
Balance at 1 June 2021	1,137	50	1,187
Amortisation for the financial year	–	4	4
Impairment loss for the financial year	745	–	745
Written off	–	(25)	(25)
Balance at 31 May 2022	1,882	29	1,911
Net carrying amount			
Balance at 31 May 2022	4,035	2	4,037
Cost			
Balance at 1 June 2020	5,186	99	5,285
Arising from acquisition of a subsidiary	731	–	731
Written off	–	(43)	(43)
Balance at 31 May 2021	5,917	56	5,973
Accumulated amortisation and impairment			
Balance at 1 June 2020	1,137	86	1,223
Amortisation for the financial year	–	7	7
Written off	–	(43)	(43)
Balance at 31 May 2021	1,137	50	1,187
Net carrying amount			
Balance at 31 May 2021	4,780	6	4,786

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

5. INTANGIBLE ASSETS (CONTINUED)

	Computer software	
	2022	2021
	$'000	$'000
Company		
Cost		
Balance at beginning and end of financial year	13	13
Accumulated amortisation		
Balance at beginning of financial year	8	5
Amortisation for the financial year	3	3
Balance at end of financial year	11	8
Net carrying amount		
Balance at end of financial year	2	5

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

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

	Group	
	2022	2021
	$'000	$'000
Name of subsidiaries		
LAI BEC Pte. Ltd. (LBPL)	815	815
Julian Ong Endoscopy & Surgery Pte. Ltd. (JOES)	677	1,422
Medical L & C Services Pte. Ltd. (MLCS)	640	640
Medical Services @ Tampines Pte. Ltd. (MST)	344	344
Jason Lim Endoscopy and Surgery Pte. Ltd. (JLES)	828	828
GMH Endoscopy & Surgery Pte. Ltd. (GMH)	731	731
	4,035	4,780

Impairment test for goodwill

As at 31 May 2022, 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 (2021: 5 years) and projected to terminal year. Management assessed 5 years cash flows and projection to terminal year for the financial forecast of the CGU is appropriate considering management's plan for its business plan in the near future. The growth rates did not exceed the long-term average growth rate for the CGU.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

5. INTANGIBLE ASSETS (CONTINUED)

Impairment test for goodwill (Continued)

Key assumptions used for value-in-use calculations:

	Revenue growth rates		Discount rate	
	2022	2021	2022	2021
LBPL	**2%**	2%	**10.5%**	9.4%
JOES	**-65% to 245%**	-36% to 81%	**10.5%**	9.4%
MLCS	**2% to 3%**	2% to 3%	**10.5%**	9.4%
MST	**2%**	4%	**10.5%**	9.4%
JLES	**5% to 15%**	5% to 15%	**10.5%**	9.4%
GMH	**15% to 20%**	10% to 212%	**10.5%**	9.4%

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

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

Due to the uncertainty arising from the court of appeal outcome in relation to the investigation outcome released by the Singapore Medical Council Disciplinary Tribunal (SMC outcome) for JOES, the Group had performed a value-in-use calculations based on Expected Cash Flow approach to assess goodwill impairment. Under this approach, uncertainties about future outcomes are reflected through probability-weighted cash flow scenarios. The use of the Expected Cash Flow approach aligns with management's most recent cash flow projections approved by management covering a period of 5 years and projected to terminal year.

During the financial year, the Group has made an impairment loss of approximately $745,000 (2021: $Nil) to JOES under healthcare segment. The carrying amount of such medical service, which represents a CGU by itself, was determined to be higher than its recoverable amount of approximately $1,672,000 based on its current financial performance. The impairment loss was fully allocated to goodwill and included in "other expenses" line item of the consolidated statement of comprehensive income.

Sensitivity analysis

As at the current reporting date, based on management's assessment of the CGUs, except for the impaired JOES CGU, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the remaining CGUs. In respect of JOES CGU, any possible adverse change to the key assumptions as mentioned above may lead to further impairment of this CGU.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

6. RIGHT-OF-USE ASSETS

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Office and clinic premises				
Cost				
Balance at beginning of financial year	**4,747**	3,480	**204**	294
Additions	**642**	853	**–**	132
Lease remeasurement/modification	**–**	575	**–**	(141)
Written off	**(291)**	(161)	**–**	(81)
Balance at end of financial year	**5,098**	4,747	**204**	204
Accumulated depreciation and impairment				
Balance at beginning of financial year	**1,745**	868	**45**	168
Depreciation for the financial year	**1,160**	1,216	**60**	62
Lease remeasurement/modification	**–**	(178)	**–**	(104)
Written off	**(202)**	(161)	**–**	(81)
Impairment loss for the financial year	**12**	–	**–**	–
Balance at end of financial year	**2,715**	1,745	**105**	45
Net carrying amount				
Balance at end of financial year	**2,383**	3,002	**99**	159

The Group leases office and clinic premises for the purpose of its operations. There are no externally imposed covenants on these lease arrangements.

During the financial year, two clinic premises leases were written off due to the expiry of lease agreement and also early termination at request of landlord. Hence the relevant right-of-use assets are fully written off.

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

Following the review, a clinic premises as referred to in Note 4 has right-of-use assets that is not expected to generate sufficient cash flows in comparison to their carrying amount. An impairment loss on right-of-use assets of approximately $12,000 (2021: $Nil), representing the write-down of the excess of the carrying amount over the recoverable amount of the relevant right-of-use assets was recognised in the consolidated statement of comprehensive income. The key assumptions for this value-in-use calculations are disclosed in Note 4 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2022	2021
	$'000	$'000
Unquoted equity shares, at cost	**19,593**	9,843
Allowance for impairment loss	**(5,254)**	(4,083)
	14,339	5,760

Movements in allowance for impairment loss were as follows:

	Company	
	2022	2021
	$'000	$'000
Balance at beginning of financial year	**4,083**	4,083
Impairment loss for the financial year	**1,171**	–
Balance at end of financial year	**5,254**	4,083

Impairment on investments in subsidiaries

As at the end of the reporting period, the Company carried out a review of the investments in subsidiaries, having regard for indicators of impairment on investments in subsidiaries based on the existing performance of subsidiaries. Following the review, an impairment loss of approximately $1,171,000 (2021: $Nil) was recognised in respect of two subsidiaries for the financial year ended 31 May 2022 due to the deterioration in the business performance, which resulted in an adverse impact on the projected value-in-use of the operations concerned.

The recoverable amount of the impaired subsidiaries which was approximately $3,801,000, is determined from value-in-use calculations using management-approved discounted cash flow projections covering a period of 5 years and projection to terminal year. The key assumptions for these value-in-use calculations are those regarding the discount rates and revenue growth rates as disclosed in Note 5 to the financial statements. As at the current reporting date, based on management's assessment, except for the subsidiaries mentioned above, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the investments. In respect to the impaired subsidiaries as mentioned above, any adverse changes to the key assumptions may result in further impairment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Principal place of business	Principal activities	Proportion of ownership interest held by the Company		Proportion of ownership interest held by the non-controlling interests	
			2022	2021	2022	2021
			%	%	%	%
Heah Sieu Min (Mt E) Pte. Ltd. [(1)]	Singapore	Colorectal endoscopy and piles centre	**100**	100	**–**	–
Heah Sieu Min (Bukit Batok) Pte. Ltd. [(1)]	Singapore	Provide outpatient consultation services and procedures in the field of Colorectal Endoscopy practices	**100**	100	**–**	–
CKH (Farrer Park) Pte. Ltd. [(1)]	Singapore	General, vein laser vascular and laparoscopy surgery and other health services	**100**	100	**–**	–
HC (Siglap) Pte. Ltd. (formerly known as CKH (Mt A) Pte. Ltd.) [(1)]	Singapore	Specialised medical services (including day surgical centres)/clinics and other general medical services	**100**	100	**–**	–
HC (TPY) Pte. Ltd. [(1)]	Singapore	Specialised medical services (including day surgical centres)/other health services	**100**	100	**–**	–
Malcolm Lim Pte. Ltd. [(1)]	Singapore	Clinics and other general medical services	**51**	51	**49**	49
LAI BEC Pte. Ltd. [(1)]	Singapore	Clinics and other general medical services	**51**	51	**49**	49
Hannah Medical Pte. Ltd. (formerly known as Heah Sieu Min (DLeedon) Pte. Ltd.) [(1)]	Singapore	Clinics and other general medical services	**100**	100	**–**	–
HC (Hillford) Pte. Ltd. [(1)]	Singapore	Specialised medical services (including day surgical centres)/clinics and other general medical services	**100**	100	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Principal place of business	Principal activities	Proportion of ownership interest held by the Company		Proportion of ownership interest held by the non-controlling interests	
			2022	2021	2022	2021
			%	%	%	%
HC (GM) Pte. Ltd. [(1)]	Singapore	Specialised medical services (including day surgical centres)/clinics and other general medical services	**100**	100	**–**	–
Julian Ong Endoscopy & Surgery Pte. Ltd. [(1)]	Singapore	Clinics and other general medical services	**70**	70	**30**	30
Medical L & C Services Pte. Ltd. [(1)]	Singapore	Clinics and other general medical services	**100**	51	**–**	49
HC and Island Family Pte. Ltd. [(1)]	Singapore	Clinics and other general medical services	**80**	80	**20**	20
Medical Services @ Tampines Pte. Ltd. [(1)]	Singapore	Clinics and other general medical services/medical shared services	**100**	100	**–**	–
Jason Lim Endoscopy and Surgery Pte. Ltd. [(1)]	Singapore	Specialised medical services/clinics and other general medical services	**100**	51	**–**	49
HC (Ming) Pte. Ltd. [(1)]	Singapore	Clinics and other general medical services	**80**	80	**20**	20
HC (AMK) Pte. Ltd. [(1)]	Singapore	Clinics and other general medical services	**100**	100	**–**	–
GMH Endoscopy & Surgery Pte. Ltd. [(1)]	Singapore	Clinics and other general medical services	**51**	51	**49**	49

[(1)] Audited by BDO LLP, Singapore

Capital reduction of a subsidiary of the Company in previous year

On 22 December 2020, the Company received $556,000 from MST as a return of capital for the investment. As a result, there was a decrease in investment in subsidiaries by $232,000 and a gain of $324,000 was recognised in previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Acquisition of a subsidiary in previous year

On 20 April 2020, the Company entered into a sale and purchase agreement to acquire 51% of the issued and fully paid-up share capital in GMH. The acquisition was completed in July 2020. The consideration for the acquisition amounted to $731,000, of which an amount of $156,000 was paid by way of issuance of the Company's shares with fair value of $0.325 each based on actual share price of the Company on issuance date and the remaining $575,000 settled in cash. The non-controlling interest further agrees to sell to the Company the remaining 49% of the issued and fully paid-up share capital of GMH by 1 November 2024 for the consideration of 49% of ten times the audited profit after tax for the financial year ending 31 May 2024.

The Company acquired the above subsidiary 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 this subsidiary with the Group such as expanding the Group's presence in Singapore and tapping on the subsidiary's workforce expertise.

	Total $'000
2021	
Net identifiable assets identified	–
Consideration transferred:	
- purchase consideration	(731)
Goodwill arising from acquisition	(731)

From the date of acquisition, GMH has contributed $385,000 and $135,000 to the Group's revenue and loss for the financial year ended 31 May 2021 respectively. There was no impact to the Group's revenue and profit for the previous financial year if the combination had taken place at the beginning of the previous financial year.

The effect of acquisition of subsidiary on the consolidated statement of cash flows in previous year was as follows:

	2021 $'000
Total purchase consideration	731
Less: Share consideration	(156)
Less: Advance payments paid in previous financial year	(14)
Net cash outflow on acquisition	561

The goodwill of $731,000 arising from the acquisition was attributable to the expected synergies that can be achieved in combining the operations of this subsidiary with the Group such as expanding the Group's presence in Singapore and tapping on the subsidiary's workforce expertise. These intangibles identified are subsumed into goodwill as they did not meet the recognition criteria for identifiable intangible assets. None of the goodwill was expected to be deductible for tax purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Acquisition of non-controlling interests

a) JLES

On 23 August 2021, the Company entered into a sale and purchase agreement to acquire the remaining 49% of the issued and fully paid-up capital in JLES in connection with the exercise of the forward purchase contract. The consideration for the additional acquisition, amounted to approximately $9,059,000 (the Consideration), shall be paid in the following manner:

(i) $1,000,000 cash payment on the date of completion of the acquisition (the Completion Date);

(ii) 20% of the Consideration in cash 1 year after the Completion Date or such other date as agreed between the Company and the vendors; and

(iii) balance cash payment and the issuance of such number of shares in the share capital of the Company, equivalent to approximately 20% of the Consideration (the Consideration Shares), at an issue price equal to the weighted average share price of the Company for the full market day on the day before the issuance of the Consideration Shares, 2 years after the Completion Date or such other date as agreed between the Company and the vendors.

Upon completion of the acquisition, JLES became a wholly owned subsidiary of the Company.

b) MLCS

On 17 September 2021, the Company entered into a sale and purchase agreement to acquire the remaining 49% of the issued and fully paid-up capital in MLCS, with an aggregate cash consideration of approximately $1,512,000 in connection with the exercise of the forward purchase contract. Upon completion of the acquisition, MLCS became a wholly owned subsidiary of the Company.

	Acquisition on		Total
	JLES	MLCS	
	23 August 2021	17 September 2021	
	$'000	$'000	$'000
Carrying amount of non-controlling interests acquired	*	28	28
Consideration for the acquisition of non-controlling interests	(8,238) #	(1,512)	(9,750) #
Premium on acquisition of non-controlling interests recognised in equity	(8,238)	(1,484)	(9,722)

* Amount less than $1,000
\# Amount represents the present value of the Consideration

The difference between the consideration and the carrying amount of non-controlling interests acquired of approximately $9,722,000 was recognised as "Acquisition of non-controlling interests without a change in control" within the consolidated statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Acquisition of non-controlling interests (Continued)

b) MLCS (Continued)

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

	2022
	$'000
Total purchase consideration	10,571
Less: Fair value adjustment to purchase consideration	(821)
Less: Deferred consideration	(7,238)
Net cash outflow on acquisition	2,512

c) JOES

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

On 31 December 2020, the Company entered into a revised sale and purchase agreement pertaining to JOES to amend the previous terms of exercising the forward purchase contract to 1-year period commencing from the month after the SMC outcome if the medical registration is not suspended, or the month after the end of the suspension period. As a result, a gain arising from modification of approximately $537,000 was recognised and included in "gain on modification of other financial liabilities" line item of the consolidated statement of comprehensive income for the financial year ended 31 May 2021 (Note 23).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Acquisition of non-controlling interests (Continued)

Non-controlling interest

The non-controlling interests of Malcolm Lim Pte. Ltd. (MLPL), HC and Island Family Pte. Ltd. (HCIF), HC (Ming) Pte. Ltd. (HCMC) and GMH (2021: MLPL, MLCS, HCIF, HCMC and GMH) that are not 100% owned by the Group are considered to be insignificant to the Group.

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

	LBPL		JOES		Total	
	2022	2021	2022	2021	2022	2021
	$'000	$'000	$'000	$'000	$'000	$'000
Assets and liabilities						
Current assets	533	591	427	488	960	1,079
Non-current assets	38	143	52	38	90	181
Current liabilities	(259)	(366)	(82)	(115)	(341)	(481)
Non-current liabilities	–	(36)	–	–	–	(36)
Net assets	312	332	397	411	709	743
Accumulated NCI	153	163	119	123	272	286
Revenue	1,383	1,382	913	1,154	2,296	2,536
Profit/(Loss) for the financial year, representing total comprehensive income for the financial year	479	462	(14)	(157)	465	305
Profit/(Loss) allocated to NCI	235	226	(4)	(47)	231	179
Dividends paid to NCI	245	196	–	–	245	196
Cash flows generated from/(used in) operating activities	409	637	(1)	(202)	408	435
Cash flows (used in)/generated from investing activities	(2)	–	–	27	(2)	27
Cash flows used in financing activities	(608)	(487)	–	(15)	(608)	(502)
Net cash (outflows)/inflows	(201)	150	(1)	(190)	(202)	(40)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

8. INVESTMENT IN ASSOCIATE

	Group and Company	
	2022	2021
	$'000	$'000
Unquoted equity investments, at cost	480	480

As at 31 May 2022, the Company carried out a review of the investment in an associate based on the existing performance of associate. Following the review, there was no impairment loss in the current financial year. The recoverable amount of the investment in an associate is determined based on its value-in-use calculations covering a period of 5 years and projection to terminal year using the following key assumptions:

	Group and Company	
	2022	2021
	%	%
Revenue growth rates	4	2 to 4
Discount rate	10.5	9.4

The details of associate are as follows:

Name of company	Principal place of business	Principal activities	Effective equity interest	
			2022	2021
			%	%
Held by the Company				
Medistar Services Pte. Ltd. [1]	Singapore	Clinics and other general medical services	25	25

[1] Audited by BDO LLP, Singapore

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

8. INVESTMENT IN ASSOCIATE (CONTINUED)

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

	2022 $'000	2021 $'000
Income and expenses		
Revenue	1,595	1,600
Loss for the financial year	(1)	–
Other comprehensive income	–	–
Total comprehensive income	(1)	–
Assets and liabilities		
Non-current assets	521	799
Current assets	388	423
Non-current liabilities	(150)	(396)
Current liabilities	(488)	(555)
Net assets	271	271

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

	2022 $'000	2021 $'000
Net assets of MDS	271	271
Proportion of equity interest in the associate	25%	25%
Group's share of interest in associate	68	68
Add: Goodwill on acquisition date	414	414
Less: Fair value of sign-on bonus	(2)	(2)
Carrying amount	480	480

9. INVESTMENT IN JOINT VENTURES

	Group and Company	
	2022 $'000	2021 $'000
Unquoted equity investment, at cost	182	183
Deemed investment arising from discounting on non-current receivables from a joint venture	–	89
	182	272

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

9. INVESTMENT IN JOINT VENTURES (CONTINUED)

The details of the joint ventures are as follows:

Name of company	Principal place of business	Principal activities	Effective equity interest held by the Group	
			2022	2021
			%	%
Held by the Company				
Zenmedic Capital Pte. Ltd.	Singapore	Investment holding company	–	27.8
Healthcare Essentials Pte. Ltd.	Singapore	Retail sale of pharmaceutical and medical goods/ general trading of medical supplies/ management consultancy services	**20.0**	20.0

Acquisition of equity interest in a joint venture

On 23 December 2020, the Group acquired 10,000 ordinary shares in Healthcare Essentials Pte. Ltd. (HEPL) at a cash consideration of $182,000, which represents 20% of shareholdings. The Group and the Company have considered that it does have joint control over this entity as unanimous consent is needed between the investors who collectively control the financial and operating policy decisions of the entity. Accordingly, this investment is classified as joint venture.

Derecognition of investment in a joint venture

The Group and the Company received 4,826 ordinary shares in Nuffield Dental Holdings Private Limited (NDH) in satisfaction of the other receivables due from a joint venture on 18 October 2021. Accordingly, the investment in Zenmedic Capital Pte. Ltd. (Zenmedic) as joint venture was derecognised.

Aggregate information of joint ventures that are not individually material

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

	Group	
	2022	2021
	$'000	$'000
The Group's share of (loss)/profit before tax	**(25)**	53
The Group's share of (loss)/profit after tax	**(25)**	53
The Group's share of other and total comprehensive income	**(25)**	53

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

10. DEBT INSTRUMENTS AT AMORTISED COST

	Group and Company	
	2022	2021
	$'000	$'000
Balance at beginning of financial year	**1,882**	2,000
Gain on modification	**–**	32
Allowance for impairment loss	**–**	(150)
Balance at end of financial year	**1,882**	1,882
Quoted debt securities at amortised cost:		
- Singapore Exchange	**1,882**	1,882

The effective interest rate of the quoted debt securities is 6.25% (2021: 6.25%) per annum.

On 19 August 2020, the Group and the Company accepted an exchange offer received from the existing bond issuer to exchange the existing debt instruments with a new quoted debt instrument that carry an interest rate of 6.25% per annum and mature in August 2023. As a result, a gain arising from modification of debt instruments of approximately $32,000 was recognised and included in "gain on modification of debt instruments at amortised cost" line item of the consolidated statement of comprehensive income for the financial year ended 31 May 2021.

As at 31 May 2022, the quoted debt securities have nominal values amounting to $2,000,000 (2021: $2,000,000) with coupon rate of 6.25% (2021: 6.25%) per annum and mature on 19 August 2023 (2021: 19 August 2023).

The fair value of quoted debt instruments is $1,958,000 (2021: $1,882,000) which was based on the closing quoted market price on the last market trading day of the financial year. An impairment loss of $Nil (2021: $150,000) was included in "other expenses" line item of the consolidated statement of comprehensive income for the financial year ended 31 May 2022.

Debt instruments are denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

	Group and Company	
	2022	2021
	$'000	$'000
Balance at beginning of financial year	8,260	7,813
Additions during the financial year	1,276	–
Capital reduction during the financial year	(100)	(16)
Fair value gain recognised during the financial year	608	463
Balance at end of financial year	10,044	8,260
Quoted equity securities at Singapore Exchange:		
- Investment III	7,217	6,616
- Investment II	1,187	1,092
Unquoted equity securities, including capital contribution		
- Investment I	192	552
Unquoted equity securities - Investment IV	172	–
Unquoted equity securities - Investment V	1,274	–
Unquoted equity securities - Investment VI	2	–
	10,044	8,260

In the prior financial year, the Group had not made an irrevocable election for investments in equity securities to present subsequent changes in fair value to other comprehensive income. Therefore, such equity securities are measured at FVTPL. Dividend income recognised for these investments are included in "other income" line item of the consolidated statement of comprehensive income.

On 18 October 2021, the Group and the Company received 4,826 ordinary shares in NDH (Investment V), representing 4.11% equity interest in NDH, in satisfaction of the other receivables due from a joint venture (Note 13). The fair value of this investment in NDH as at initial recognition amounted to approximately $1,074,000, was determined based on professional valuation carried out by independent valuation specialists using income approach. The Group and the Company further acquired additional 851 ordinary shares in NDH for $200,000 on 8 February 2022.

During the financial year, the Group and the Company received $100,000 from Investment I and IV (2021: $16,000 from Investment I) as a return of capital for the investment.

As at 31 May 2022, the Group has a capital commitment of $1,032,000 (2021: $1,000,000) in relation to unpaid capital contribution in HSN Healthcare Pte. Ltd. (HSN) (Investment I).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

For the purpose of consolidated statement of cash flows, the Group's additions to financial assets at FVTPL during the financial year were financed as follows:

	2022 $'000	2021 $'000
Additions of financial assets at FVTPL	1,276	–
Less: Derecognition of financial asset	(605)	–
Less: Derecognition of investment in joint venture (Note 9)	(90)	–
Less: Gain arising from derecognition of financial asset (Note 13)	(379)	–
Cash payments to acquire financial assets at FVTPL	202	–

Fair value measurement

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

The fair value of the Group's investment in unquoted equity securities including capital contribution was valued by independent valuation firms and the valuation techniques used to derive the fair value are disclosed in Note 38.5 to the financial statements.

Financial assets at FVTPL are denominated in Singapore dollar.

12. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2022 $'000	2021 $'000
Deferred tax assets	99	75
Deferred tax liabilities	(98)	(127)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

Movement in deferred tax assets was as follows:

	Unutilised tax losses $'000	Excess of tax written down values over net book values $'000	Provision $'000	Total $'000
2022				
Balance at beginning of financial year	**67**	**5**	**3**	**75**
Credited/(Charged) to profit or loss	**27**	**3**	**(6)**	**24**
Balance at end of financial year	**94**	**8**	**(3)**	**99**
2021				
Balance at beginning of financial year	11	1	-	12
Credited to profit or loss	56	4	3	63
Balance at end of financial year	67	5	3	75

Movement in deferred tax liabilities was as follows:

	Accelerated tax depreciation $'000	Lease assets $'000	Others $'000	Total $'000
2022				
Balance at beginning of financial year	**(123)**	**11**	**(15)**	**(127)**
(Charged)/Credited to profit or loss	**(6)**	**(2)**	**37**	**29**
Balance at end of financial year	**(129)**	**9**	**22**	**(98)**
2021				
Balance at beginning of financial year	(80)	2	(17)	(95)
(Charged)/Credited to profit or loss	(43)	9	2	(32)
Balance at end of financial year	(123)	11	(15)	(127)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Non-current assets				
Other receivables				
- lease receivables	–	–	36	172
Current assets				
Trade receivables				
- third parties	978	1,581	–	–
- subsidiaries	–	–	463	601
- associate	–	1	–	1
Less:				
Loss allowance on trade receivables - third parties	(1)	(16)	–	–
	977	1,566	463	602
Other receivables				
- third parties	342	405	287	376
- subsidiaries	–	–	1,194	1,731
- associate	3	44	3	44
- joint venture	–	602	–	602
- lease receivables	–	–	136	281
Less:				
Loss allowance on other receivables - subsidiaries	–	–	(221)	(221)
	345	1,051	1,399	2,813
Government grant receivables	–	56	–	11
Deposits	234	178	47	47
	1,556	2,851	1,909	3,473
Total trade and other receivables	1,556	2,851	1,945	3,645

Trade receivables are unsecured, non-interest bearing and their credit term is generally ranging from 1 to 180 days (2021: 1 to 180 days).

The other receivables due from subsidiaries, an associate and a joint venture are unsecured, non-interest bearing and repayable on demand except for the other receivables due from a joint venture in previous year amounting to approximately $594,000 which was expected to be settled within 12 months subsequent to the financial year ended 31 May 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

During the financial year, the Group and the Company received 4,826 ordinary shares in NDH in satisfaction of the other receivables due from a joint venture. The Group and the Company then derecognised this financial asset because the Group and the Company no longer have contractual rights to this receivable upon receiving the ordinary shares in NDH. Gain on derecognition of financial assets of approximately $379,000 (2021: $Nil) arising from the difference between the carrying amount of other receivables due from a joint venture and the fair values of the 4,826 ordinary shares in NDH was recognised in the consolidated statement of comprehensive income.

The lease receivables relate to the clinic premises leased out by the Company to its subsidiaries. The Company's sub-lease of its right-of-use of the clinic premises is classified as finance lease because the sub-lease is for the entire remaining lease term of the head lease. Right-of-use assets relating to the head leases with sub-leases classified as finance lease is derecognised and the net investment in the sub-lease is recognised as lease receivables. As at 31 May 2022, the lease receivables relate to the sub-leases where the relevant head leases are classified as lease liabilities as disclosed in Note 26 to the financial statements.

The government grant receivables and deferred government grant income (Note 27) in previous year were related to Jobs Support Scheme (JSS) announced by the Singapore Government to provide wage support to employers to help them retain their local employees during this period of economic uncertainty. In determining the timing of recognition of the JSS grant income, the management assessed that the Group was impacted from April 2020 onwards following the circuit-breaker measure, and hence JSS grant income was recognised in profit or loss on a systematic basis over the seventeen months period of economic uncertainty from April 2020 to August 2021.

Deposits relate to refundable deposits paid for rental and utilities.

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

	Group	
	2022	2021
	$'000	$'000
Balance at beginning of financial year	16	17
Loss allowance made during the financial year	–	1
Receivable written off as uncollectible	(15)	–
Amount recovered during the financial year	–	(2)
Balance at end of financial year	1	16

During the financial year ended 31 May 2022, third parties trade receivables written off of approximately $3,000 (2021: $Nil) was recognised in "Other expenses" line item in the Group's profit or loss.

Management has performed impairment assessment for the amount due from subsidiaries using the three-stage expected credit loss (ECL) model. Following the review, except for the ECL of $221,000, the remaining other receivables from subsidiaries are considered to be of low credit risk and subject to immaterial credit loss. Credit risk for these assets has not increased significantly since their initial recognition.

Trade and other receivables are denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

14. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Non-current assets				
Put option	302	302	302	302
Forward purchase contracts	940	940	1,436	1,554
	1,242	1,242	1,738	1,856
Current assets				
Forward purchase contracts	–	–	–	494
Non-current liabilities				
Options to re-purchase	(28)	(28)	(28)	(28)
	1,214	1,214	1,710	2,322

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Balance at beginning of financial year	1,214	1,893	2,322	2,205
Recognition of derivative financial instruments at initial recognition	–	–	–	85
Fair value (loss)/gain recognised during the financial year	–	(679)	253	32
Derecognition of derivative financial instruments	–	–	(865)	–
Balance at end of financial year	1,214	1,214	1,710	2,322

Put option

On 31 December 2020, the Company entered into a revised sale and purchase agreement with the non-controlling interest of JOES for amendments to the previous terms as disclosed in Note 7 to the financial statements. Pursuant to the revised agreement, the non-controlling interest has granted the Company a put option to require the non-controlling interest to repurchase the issued and fully paid-up share capital held by the Company in JOES, at an amount in excess of the Company's investment, should the doctor's employment be terminated. As at the end of the reporting period, management assessed that the probability of exercising the put option by the Company is low.

As at the end of the reporting period, the fair value of the put option has been determined using the Binomial Option Pricing model and is considered as level 3 recurring fair value measurement. The significant judgement and assumptions to the valuation include volatility rate and risk-free rate as disclosed in Note 38.5 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Forward purchase contracts

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

(a) The Company's further acquisition of the remaining 45% of issued and fully paid-up share capital of MDS by 1 Sept 2024 for the consideration of one time the average of audited profit after tax for the first five years from 1 June 2019 to 31 May 2024, subject to a minimum of S$160,000 multiplied by the vendors' respective shareholding percentage held in MDS and 15% equity interest for a consideration of $4,000 for every 1% shareholding held by the vendors upon termination of employment due to illness, incapacitation or death after the employment period of five years;

(b) The Company's further acquisition of the remaining 30% of issued and fully paid-up share capital of JOES as disclosed in Note 7 to the financial statements; and

(c) The Company's further acquisition of the remaining 49% of issued and fully paid-up share capital of GMH as disclosed in Note 7 to the financial statements.

As at the end of the reporting period, the fair values of these derivative financial instruments have been determined based on the difference between spot price adjusted for the present value of dividends and the present value of the forward price and are considered as level 3 recurring fair value measurements. The significant judgement and assumptions to the valuations include estimated profit after tax for future years and risk-free rate as disclosed in Note 38.5 to the financial statements.

During the financial year, the forward purchase contract in connection with JLES and MLCS are derecognised upon exercise by the Company to acquire the remaining 49% of issued and fully paid-up share capital of JLES and MLCS as disclosed in Note 7 to the financial statements.

Options to re-purchase

The option to re-purchase represents option granted to one (2021: one) non-controlling interest for the acquisition of LBPL (2021: LBPL). The Company has granted to the non-controlling interest an option to re-purchase up to 20% of the total issued shares in LBPL from the Company, at an exercise price of three times of LBPL's audited profit after tax for the recent financial year (at the time of exercise of the option), provided always that the vendor shall not be entitled to exercise the option prior to the end of 35 months from the date of commencement of the employment with the Group.

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

As at the end of the reporting period, the fair value of derivative financial instrument has been determined using the Binomial Option Pricing model and is considered as level 3 recurring fair value measurement. The significant judgement and assumptions to the valuation include the volatility rate and risk-free rate as disclosed in Note 38.5 to the financial statements.

15. INVENTORIES

	Group	
	2022	2021
	$'000	$'000
Medical and surgical supplies	**376**	325

During the financial year, the Group carried out a review of the inventory obsolescence and the review led to the recognition of inventories written off amounting to $13,000 (2021: $21,000) that have been included in "other expenses" line item in consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

16. CASH AND BANK BALANCES

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Fixed deposits	–	2,000	–	2,000
Cash on hand	9	8	–	–
Bank balances	6,919	8,980	2,837	3,132
	6,928	10,988	2,837	5,132

Fixed deposits were placed for a period of 6 months (2021: 6 months) and bear effective interest rate of 0.40% to 0.46% (2021: 0.40% to 0.75%) per annum.

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

The currency profile of cash and bank balances as at the end of the reporting period are as follow:

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Singapore dollar	6,925	10,971	2,834	5,115
United States dollar	3	17	3	17
	6,928	10,988	2,837	5,132

17. SHARE CAPITAL

	Group and Company			
	2022	2021	2022	2021
	Number of ordinary shares ('000)		$'000	$'000
Issued and fully-paid:				
Balance at beginning and end of financial year	151,396	151,396	15,419	15,419

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

18. TREASURY SHARES

	Group and Company			
	2022	2021	2022	2021
	Number of ordinary shares ('000)		$'000	$'000
Balance at beginning of financial year	**2,503**	830	**996**	541
Repurchase of shares during the financial year	–	2,153	–	768
Issuance of shares pursuant to the acquisition of a subsidiary	–	(480)	–	(313)
Balance at end of financial year	**2,503**	2,503	**996**	996

In the previous financial year, the Company acquired 2,153,000 of its ordinary shares through purchases in the open market. The total amount paid to repurchase the shares was $768,000 and has been presented as a component within shareholders' equity.

On 7 July 2020, 480,000 treasury shares were issued pursuant to the acquisition of 51% equity interest in GMH. The fair value of the shares consideration was determined at $156,000 which were derived from actual share price of the Company on the re-issuance date. The difference between the cost of treasury shares of $313,000 and the fair value of the shares at the re-issuance date was recognised in the capital reserve (Note 20).

19. MERGER RESERVE

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

20. CAPITAL RESERVE

Capital reserve relates to the realised gain or loss on subsequent re-issuance of treasury shares pursuant to the acquisition of subsidiaries and the differences between the consideration paid and the carrying amount of non-controlling interests acquired.

21. OTHER RESERVE

Other reserve represents the present value of the exercise price for the forward purchase contracts over non-controlling interests of subsidiaries.

22. RETAINED EARNINGS

Movements in retained earnings of the Company were as follows:

	Company	
	2022	2021
	$'000	$'000
Balance at beginning of financial year	**6,787**	3,775
Total comprehensive income for the financial year	**5,105**	6,614
Dividends (Note 36)	**(5,509)**	(3,602)
Balance at end of financial year	**6,383**	6,787

23. OTHER FINANCIAL LIABILITIES

	Group 2022 $'000	Group 2021 $'000
Present value at beginning of financial year	**12,121**	2,417
Present value at initial recognition	**–**	3,288
Unwinding interest expenses on other financial liabilities	**374**	210
Changes in estimated future cash flow on other financial liabilities	**(2,217)**	6,743
	(1,843)	10,241
Derecognition of other financial liabilities	**(8,182)**	–
Gain on modification of other financial liabilities	**–**	(537)
Present value at end of financial year	**2,096**	12,121
<u>Presented in statements of financial position</u>		
- Non-current	**2,096**	11,950
- Current	**–**	171
	2,096	12,121

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

(i) Remaining 49% of the issued and fully paid-up share capital of GMH (2021: JLES, MLCS and GMH) as referred to in Note 7 and Note 14 to the financial statements; and

(ii) Remaining 30% of the issued and fully paid-up share capital of JOES (2021: JOES) as referred to in Note 7 and Note 14 to the financial statements.

As at the end of the reporting period, the other financial liabilities are measured at the present value of the exercise price for the forward purchase contracts with a corresponding entry to "other reserve" line item in the Group's equity (Note 21).

The changes in estimated future cash flow and the unwinding interest expenses on other financial liabilities of approximately $2,217,000 and $374,000 (2021: $6,743,000 and $210,000) respectively are included in "other reserve" line item in the Group's equity (Note 21).

The derecognition of other financial liabilities is in respect of the exercise of the forward purchase contract by the Company during the financial year, details of which are disclosed in Note 7 and Note 14 to the financial statements.

In the previous financial year, the gain on modification of other financial liabilities was in respect of the revision of sale and purchase agreement pertaining to JOES, details of which are disclosed in Note 7 to the financial statements.

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23. OTHER FINANCIAL LIABILITIES (CONTINUED)

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

	Group	
	2022	2021
Discount rate	**9.4%**	9.4%
Exercise price for forward purchase contracts	**$'000**	$'000
MLCS on 1 August 2021	**–**	187
JLES on 1 September 2022	**–**	8,748
JOES depends on SMC outcome	**175**	822
GMH on 1 November 2024	**2,350**	4,305

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

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

Other financial liabilities are denominated in Singapore dollar.

24. BANK BORROWING

	Group and Company	
	2022	2021
	$'000	$'000
Non-current		
Unsecured		
Term loan I	**2,550**	3,750
Current		
Unsecured		
Term loan I	**1,237**	1,250
	3,787	5,000

The Group and the Company had drawn down Term Loan I amounted to $5 million on 6 May 2020. It is unsecured, repayable over 48 months commencing from June 2021 to May 2025 and the loan interest is charged at a fixed rate of 2% (2021: 2%) per annum. The Term Loan I is subject to financial covenants imposed by the bank.

Further details of the management of liquidity risk are set out in Note 38.3 to the financial statements.

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FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

24. BANK BORROWING (CONTINUED)

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

	Group and Company	
	2022	2021
	$'000	$'000
Facilities granted	**11,500**	11,500
Facilities unutilised	**6,500**	6,500

The fair value of the Group's and the Company's bank borrowings approximate their carrying amounts as they are at market lending rates for similar types of lending or borrowing at the end of the reporting period.

Bank borrowings are denominated in Singapore dollar.

25. PROVISIONS

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Provision for reinstatement cost				
Balance at beginning of financial year	**122**	122	**21**	21
Provision made during the financial year	**–**	29	**–**	–
Reversal of reinstatement cost not utilised	**(16)**	(23)	**–**	–
Utilisation during the financial year	**–**	(6)	**–**	–
Balance at end of financial year	**106**	122	**21**	21

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

26. LEASE LIABILITIES

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Balance at beginning of financial year	**3,045**	2,728	**614**	610
Additions	**642**	838	**–**	132
Lease remeasurement/modification	**–**	641	**–**	207
Interest expense	**91**	108	**17**	23
Lease payments				
- Principal portion	**(1,124)**	(966)	**(340)**	(289)
- Interest portion	**(91)**	(108)	**(17)**	(23)
	(1,215)	(1,074)	**(357)**	(312)
Written off	**(84)**	–	**–**	–
Rent concession	**(14)**	(196)	**–**	(46)
Balance at end of financial year	**2,465**	3,045	**274**	614

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

26. LEASE LIABILITIES (CONTINUED)

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

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Contractual undiscounted cash flows				
- Within one financial year	**1,046**	1,259	**204**	357
- After one financial year but within five financial years	**1,592**	1,825	**77**	281
- After five financial years	**–**	160	**–**	–
	2,638	3,244	**281**	638
Less: Future interest expense	**(173)**	(199)	**(7)**	(24)
Present value of lease liabilities	**2,465**	3,045	**274**	614
Presented in statements of financial position				
- Non-current	**1,492**	1,878	**76**	274
- Current	**973**	1,167	**198**	340
	2,465	3,045	**274**	614

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

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

As at 31 May 2022, the incremental borrowing rate applied in the lease liabilities measurement was 3.67% (2021: 3.67%) per annum.

Total cash outflow for all leases during the current financial year was $1,286,000 (2021: $1,107,000).

Lease liabilities are denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Non-current liabilities				
Other payables				
- deferred consideration	**5,723**	–	**5,723**	–
Current liabilities				
Trade payables				
- third parties	**151**	256	**–**	–
Other payables				
- third parties	**258**	231	**2**	25
- subsidiaries	**–**	–	**508**	267
- related parties	**–**	1	**–**	–
	258	232	**510**	292
Accrued expenses	**1,937**	2,443	**614**	820
Deferred government grant income	**–**	131	**–**	21
Goods and services tax payable, net	**244**	345	**125**	91
Refundable deposits from customers	**35**	236	**–**	–
Deferred consideration	**1,811**	–	**1,811**	–
	4,436	3,643	**3,060**	1,224
Total trade and other payables	**10,159**	3,643	**8,783**	1,224

Trade payables are non-interest bearing, unsecured and the average credit period is 30 to 60 (2021: 30 to 60) days.

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

Non-trade payables due to third parties are non-interest bearing, unsecured and the average credit period is 30 to 60 (2021: 30 to 60) days.

Deferred consideration is in respect of the acquisition of the remaining 49% of the issued and fully paid-up capital in JLES, details of which are disclosed in Note 7 to the financial statements.

The management estimates the fair value of the non-current deferred consideration with reference to the stipulated repayment period using a discount rate based on the prevailing available market borrowing rates at 7.3% per annum at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

27. TRADE AND OTHER PAYABLES (CONTINUED)

The fair value of the non-current deferred consideration is within Level 3 of the fair value hierarchy. Subsequent to the initial recognition, the non-current deferred consideration is measured at amortised cost using the effective interest method and the unwinding of the difference is recognised as interest expense in the consolidated statement of comprehensive income over the expected repayment period. The significant unobservable input used in determining the fair value of non-current deferred consideration is discount rate.

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

Trade and other payables are denominated in Singapore dollar.

28. REVENUE

	Group	
	2022	2021
	$'000	$'000
Type of goods or services		
Provision of medical services	**19,311**	23,358
Timing of transfer of goods and services		
Point in time	**19,311**	23,358

The revenue of the Group is all generated within Singapore.

29. OTHER INCOME

	Group	
	2022	2021
	$'000	$'000
Government grants	**478**	546
Dividend income from financial assets at FVTPL	**655**	294
Dividend income from joint venture	**19**	23
Interest income	**145**	167
Gain from disposal of plant and equipment	**–**	1
Gain on lease modification	**–**	1
Facility fee income	**–**	1
Consultancy fee income	**92**	92
Management fee income	**16**	16
Others	**51**	45
	1,456	1,186

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

30. EMPLOYEE BENEFITS EXPENSE

	Group	
	2022	2021
	$'000	$'000
Salaries, bonuses and other short-term benefits	6,357	6,960
Employer's contributions to defined contribution plans	466	547
	6,823	7,507

Included in the employee benefits expense were the remuneration of directors of the Company, directors of the subsidiaries and other key management personnel of the Group, as set out in Note 37 to the financial statements.

31. DEPRECIATION AND AMORTISATION

	Group	
	2022	2021
	$'000	$'000
Depreciation of plant and equipment	505	492
Depreciation of right-of-use assets	1,160	1,216
Amortisation of intangible assets	4	7
	1,669	1,715

32. FINANCE COSTS

	Group	
	2022	2021
	$'000	$'000
Interest expenses:		
- bank borrowings	87	100
- lease liabilities	91	108
- amortisation of discount on fair value of purchase consideration	296	–
	474	208

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

33. 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	
	2022	2021
	$'000	$'000
Lease expenses		
- short term leases	71	33
- rent concession granted [1]	(14)	(196)
	57	(163)
Other expenses		
Audit fees		
- auditors of the Company	189	183
Non-audit fees		
- auditors of the Company	–	–
Administrative charges	126	53
Allowance for impairment loss on debt instruments at amortised cost	–	150
Allowance for impairment loss on goodwill	745	–
Allowance for impairment loss on plant and equipment	7	–
Allowance for impairment loss on right-of-use assets	12	–
Third parties trade receivables written off	3	–
Credit card charges	130	127
Loss on lease written off	5	–
Loss on disposal of plant and equipment	15	–
Inventories written off	13	21
IT expenses	87	92
Reversal of loss allowance made for third parties trade receivables	–	(1)
Plant and equipment written off	48	3
Professional fees	254	597

[1] The variable lease payments are related to rent concessions received from landlords due to the COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

34. INCOME TAX EXPENSE

	Group	
	2022	2021
	$'000	$'000
Current income tax		
- current financial year	1,002	1,449
- over provision in prior financial years	(5)	(4)
	997	1,445
Deferred tax		
- current financial year	(47)	(27)
- over provision in prior financial years	(6)	(4)
	(53)	(31)
Total income tax expense recognised in consolidated statement of comprehensive income	944	1,414

Reconciliation of effective income tax rate

The income tax expense varied from the amount of income tax expense determined by applying the applicable income tax rate of 17% (2021: 17%) to profit before income tax as a result of the following differences:

	Group	
	2022	2021
	$'000	$'000
Profit before income tax	7,747	10,268
Income tax calculated at Singapore's statutory income tax rate of 17% (2021: 17%)	1,317	1,746
Tax effect of expenses non-deductible for income tax purposes	228	143
Tax effect of income not subject to income tax	(352)	(208)
Tax effect of tax-exempt income	(185)	(210)
Deferred tax assets not recognised	2	4
Utilisation of previously unrecognised deferred tax assets	(11)	(5)
Corporate tax rebate and incentive	–	(31)
Over provision of current income tax in prior financial years	(5)	(4)
Over provision of deferred tax in prior financial years	(6)	(4)
Others	(44)	(17)
	944	1,414

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

34. INCOME TAX EXPENSE (CONTINUED)

Unrecognised deferred tax assets

	Group	
	2022	2021
	$'000	$'000
Balance at beginning of financial year	81	82
Amount not recognised during the financial year	2	4
Utilisation of previously unrecognised deferred tax assets	(11)	(5)
Balance at end of financial year	72	81

Unrecognised deferred tax assets are attributable to the following temporary differences computed at statutory income tax rate of 17% (2021: 17%):

	Group	
	2022	2021
	$'000	$'000
Excess of tax written down values over net book values	5	16
Unutilised tax losses	64	64
Others	3	1
	72	81

As at 31 May 2022, the Group has unutilised tax losses and unutilised capital allowances of $376,000 and $29,000 (2021: $376,000 and $94,000) respectively available for offset against future taxable profits subject to the agreement by the tax authorities and provisions of the tax legislations.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

35. EARNINGS PER SHARE

The calculation for earnings per share is based on:

	Group	
	2022	2021
Profit attributable to owners of the parent ($'000)	6,380	8,000
Weighted average number of ordinary shares in issue during the financial year applicable to earnings per share ('000)	148,893	149,967
Earnings per share (in cents)		
- Basic and diluted	4.28	5.33

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 2022 and 31 May 2021 divided by the weighted average number of ordinary shares in relevant periods.

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

36. DIVIDENDS

	Group	
	2022	2021
	$'000	$'000
Final tax-exempt dividend of $0.007 per ordinary share for financial year ended 31 May 2020	–	1,057
First interim tax-exempt dividend of $0.017 per ordinary share for financial year ended 31 May 2021	–	2,545
Final tax-exempt dividend of $0.023 per ordinary share for financial year ended 31 May 2021	3,425	–
First interim tax-exempt dividend of $0.014 per ordinary share for financial year ended 31 May 2022	2,084	–
	5,509	3,602

The Board of Directors proposed that a final tax-exempt dividend of $0.012 (2021: $0.023) per ordinary share amounting to $1,787,000 (2021: $3,425,000) to be paid for the financial year ended 31 May 2022. 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.

NOTES TO THE FINANCIAL STATEMENTS

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37. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
With an associate				
Management fee income	**16**	16	**16**	16
Services rendered expense	**2**	3	**–**	–
Consultancy fee income	**92**	92	**92**	92
Rental payment	**34**	33	**–**	–
With subsidiaries				
Expenses paid on behalf of	**–**	–	**5,810**	5,329
Management fee income	**–**	–	**2,051**	2,389
Admin fee income	**–**	–	**68**	119
Advances from	**–**	–	**84**	100
Advances to	**–**	–	**40**	201
Dividend income	**–**	–	**4,840**	5,004
With joint ventures				
Interest income	**12**	30	**12**	30
Dividend income	**19**	23	**19**	23
With related parties*				
Rental payment	**515**	442	**46**	48
With director of subsidiaries				
Advances from	**–**	49	**–**	–

* Related parties refer to entities where the Company's directors have beneficial interests.

The outstanding balances as at 31 May in respect of the above transactions with related parties are disclosed in Note 13 and Note 27 to the financial statements. There are no outstanding balances with key management personnel.

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

NOTES TO THE FINANCIAL STATEMENTS

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37. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

The remuneration of directors and other key management personnel of the Group and the Company during the financial years ended 31 May 2022 and 31 May 2021 were as follows:

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Directors of the Company				
- short-term employee benefits	**1,701**	1,828	**340**	366
- post-employment benefits	**24**	27	**5**	5
- Directors' fees	**111**	111	**111**	111
	1,836	1,966	**456**	482
Directors of the subsidiaries				
- short-term employee benefits	**1,303**	1,140	**–**	–
- post-employment benefits	**85**	83	**–**	–
	1,388	1,223	**–**	–
Other key management personnel				
- short-term employee benefits	**515**	672	**391**	501
- post-employment benefits	**47**	52	**33**	34
	562	724	**424**	535
	3,786	3,913	**880**	1,017

38. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

38.1 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.

Concentration of credit risk exists when changes in economic, industry or geographic factors similarly affect group of counterparties whose aggregate credit exposure is significant in relation to the Group's and the Company's total credit exposure. The Group do not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics. The Company has no significant concentration of credit risk, except for the amount due from subsidiaries and a joint venture amounting to $1,657,000 (2021: $2,332,000) and $Nil (2021: $602,000) as at the end of the reporting period respectively.

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

Trade receivables

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

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

The following table provides information about the exposure to credit risk and expected credit loss for third parties trade receivables as at 31 May 2022 and 31 May 2021.

	Gross carrying amount $'000	Loss allowance $'000	Credit impaired
2022			
Group			
Not past due	830	–	No
Past due but not impaired			
- less than 1 month	89	–	No
- 1 to 3 months	24	–	No
- over 3 months	35	(1)	Yes
	978	(1)	

NOTES TO THE FINANCIAL STATEMENTS

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

38.1 Credit risks (Continued)

Trade receivables (Continued)

	Gross carrying amount $'000	Loss allowance $'000	Credit impaired
2021			
Group			
Not past due	1,411	–	No
Past due but not impaired			
- less than 1 month	78	–	No
- 1 to 3 months	32	–	No
- over 3 months	60	(16)	Yes
	1,581	(16)	

Loss allowance of $1,000 (2021: $16,000) is related to credit-impaired balance from a customer who is not likely to repay the outstanding balances mainly due to economic circumstances or who has defaulted in payment terms.

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

Non-trade amounts due from third parties

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

Non-trade amount due from a joint venture and associate

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

Trade and non-trade amounts due from subsidiaries

For amounts due from subsidiaries, the Board of Directors has taken into account information that it has available internally about these subsidiaries' past, current and expected operating performance and cash flow position. The Board of Directors monitors and assesses at each reporting date for any indicator of significant increase in credit risk on the amount due from the respective subsidiaries, by considering their financial performance and results. At the end of the current reporting period, the Company has assessed its subsidiaries' financial performance to meet the contractual cash flow obligations and is of the view that expected credit loss allowance is $221,000 (2021: $221,000) for non-trade amounts due from subsidiaries. The receivables from remaining subsidiaries are considered to be low credit risk and subject to immaterial credit loss. Credit risk for these assets has not increased significantly since their initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

38.1 Credit risks (Continued)

Cash and cash equivalents

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The Group and the Company held cash and cash equivalents of $6,928,000 and $2,837,000 respectively as at 31 May 2022 (2021: $10,988,000 and $5,132,000). The cash and cash equivalents are held with banks and financial institutions counterparties, which are rated P-2 to P-1, based on Moody's ratings. Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group and the Company consider that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Debt instruments at amortised cost

The Group has quoted debt securities of $1,882,000 (2021: $1,882,000) which are exposed to credit risks. The expected credit losses on these quoted debt securities have been measured at 12-month expected loss basis. The Group has assessed the current financial performance of the issuer of these debt securities and an allowance for impairment loss of $Nil (2021: $150,000) was recognised during the financial year.

38.2 Equity price risk

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

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

Equity price sensitivity analysis

At the end of the reporting period, if the price of the shares held had been 5% (2021: 5%) higher or lower with all other variables held constant, the Group's profit or loss would have been approximately $420,000 (2021: $385,000) higher or lower, arising as a result of an increase or decrease in the fair value of equity securities classified as financial assets measured at FVTPL.

The equity price sensitivity analysis for unquoted equity investments classified as financial assets at FVTPL is disclosed in Note 38.5 to the financial statements.

38.3 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

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

38.3 Liquidity risks (Continued)

Contractual maturity analysis

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

	Within one financial year $'000	After one financial year but within five financial years $'000	After five financial years $'000	Total $'000
Group				
2022				
Financial liabilities				
Non-interest bearing				
- Trade and other payables	4,192	6,248	–	10,440
- Other financial liabilities	–	2,525	–	2,525
Interest bearing				
- Bank borrowings	1,300	2,599	–	3,899
- Lease liabilities	1,046	1,592	–	2,638
Total undiscounted financial liabilities	6,538	12,964	–	19,502
2021				
Financial liabilities				
Non-interest bearing				
- Trade and other payables	3,167	–	–	3,167
- Other financial liabilities	187	13,875	–	14,062
Interest bearing				
- Bank borrowings	1,339	3,865	–	5,204
- Lease liabilities	1,259	1,825	160	3,244
Total undiscounted financial liabilities	5,952	19,565	160	25,677

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

38.3 Liquidity risks (Continued)

Contractual maturity analysis (Continued)

	Within one financial year $'000	After one financial year but within five financial years $'000	After five financial years $'000	Total $'000
Company				
2022				
Financial liabilities				
Non-interest bearing				
- Trade and other payables	2,935	6,248	–	9,183
Interest bearing				
- Bank borrowings	1,300	2,599	–	3,899
- Lease liabilities	204	77	–	281
Total undiscounted financial liabilities	4,439	8,924	–	13,363
2021				
Financial liabilities				
Non-interest bearing				
- Trade and other payables	1,112	–	–	1,112
Interest bearing				
- Bank borrowings	1,339	3,865	–	5,204
- Lease liabilities	357	281	–	638
Total undiscounted financial liabilities	2,808	4,146	–	6,954

38.4 Capital management policies and objectives

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

The Group and the Company manage their capital structure which consist of equity attributable to owners of the parent, comprising issued share capital, treasury shares, merger reserve, capital reserve, other reserve and retained earnings as disclosed in Notes 17, 18, 19, 20, 21 and 22 to the financial statements and make adjustments to it, in light with changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 May 2022 and 31 May 2021.

The Group and the Company are subject to and have complied with financial covenants as disclosed in Note 24 to the financial statements for the financial years ended 31 May 2022 and 31 May 2021.

NOTES TO THE FINANCIAL STATEMENTS

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

38.5 Fair value of financial assets and financial liabilities

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and other financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value hierarchy

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

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of financial instruments that are not carried at fair value and whose carrying amounts approximate their fair values

The carrying amounts of the Group's and the Company's current financial assets and current financial liabilities that are not carried at fair value approximate their respective fair values as at the end of the reporting period due to the relatively short-term maturity of these financial instruments. The management estimates that the carrying amount of bank borrowings approximate its fair value as the interest rate of the borrowing approximates the market lending rate for similar types of loan as at the end of the reporting period.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

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

Fair values of financial instruments carried at fair value

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

	Fair value measurements using			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Group				
2022				
Financial assets				
Financial assets at FVTPL				
- Quoted equity securities				
- Investment III	7,217	–	–	7,217
- Investment II	1,187	–	–	1,187
- Unquoted equity securities				
- Investment I	–	–	192	192
- Investment IV	–	–	172	172
- Investment V	–	–	1,274	1,274
- Investment VI	–	–	2	2
Derivative financial instruments	–	–	1,242	1,242
	8,404	–	2,882	11,286
Financial liabilities				
Derivative financial instruments	–	–	28	28
2021				
Financial assets				
Financial assets at FVTPL				
- Quoted equity securities				
- Investment III	6,616	–	–	6,616
- Investment II	1,092	–	–	1,092
- Unquoted equity security				
- Investment I	–	–	552	552
Derivative financial instruments	–	–	1,242	1,242
	7,708	–	1,794	9,502
Financial liabilities				
Derivative financial instruments	–	–	28	28

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

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

Fair values of financial instruments carried at fair value Continued)

	Fair value measurements using			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Company				
2022				
Financial assets				
Financial assets at FVTPL				
- Quoted equity securities				
- Investment III	7,217	–	–	7,217
- Investment II	1,187	–	–	1,187
- Unquoted equity securities				
- Investment I	–	–	192	192
- Investment IV	–	–	172	172
- Investment V	–	–	1,274	1,274
- Investment VI	–	–	2	2
Derivative financial instruments	–	–	1,738	1,738
	8,404	–	3,378	11,782
Financial liabilities				
Derivative financial instruments	–	–	28	28
2021				
Financial assets				
Financial assets at FVTPL				
- Quoted equity securities				
- Investment III	6,616	–	–	6,616
- Investment II	1,092	–	–	1,092
- Unquoted equity securities				
- Investment I	–	–	552	552
Derivative financial instruments	–	–	2,350	2,350
	7,708	–	2,902	10,610
Financial liabilities				
Derivative financial instruments	–	–	28	28

The carrying amounts and changes in Level 3 instruments consisting of financial assets at FVTPL and derivative financial instruments are disclosed on the face of statements of financial position and in Note 11 and Note 14 to the financial statements respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

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

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

There were no transfers between levels during the financial year and no changes in the valuation techniques of the various classes of financial assets and financial liabilities during the financial years ended 31 May 2022 and 31 May 2021, except for the fair value measurement of Investment I where the valuation technique was changed to the adjusted net asset value method under asset approach within Level 3 of the fair value hierarchy due to a change in principal activity to that of an investment holding.

In the previous financial year, the fair value measurement of Investment II was transferred from level 3 to level 1 and the valuation technique was changed to quoted market price when Investment II was listed on the Catalist Board of the SGX-ST.

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

Financial instruments	Valuation techniques used	Significant unobservable inputs	2022	2021	Relationship between key unobservable inputs and fair value
Financial assets at fair value through profit or loss:					
- Investment I	Income approach based on discounted cash flow	Revenue growth rate	–	13.8%	A slight increase in the revenue growth rates used in isolation would result in an increase in the fair value.
		Discount rate	–	10.0%	A slight increase in the discount rate used in isolation would result in a decrease in the fair value.
		Terminal growth rate	–	0%	A slight increase in the terminal growth rate used in isolation would result in an increase in the fair value.
		Discount for lack of control (DLOC)	–	24.0%	A slight increase in the DLOC would result in a decrease in fair value.
	Asset approach based on adjusted net asset value method	Adjusted net asset value	**$896,000**	–	A slight increase in the adjusted net asset value would result in an increase in fair value.
		Discount for lack of control (DLOC)	**24.4%**	–	A slight increase in the DLOC would result in a decrease in fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

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

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

Financial instruments	Valuation techniques used	Significant unobservable inputs	2022	2021	Relationship between key unobservable inputs and fair value
Financial assets at fair value through profit or loss: (Continued)					
- Investment IV	Asset approach based on adjusted net asset value method	Adjusted net asset value	$4,709,000	–	A slight increase in the adjusted net asset value would result in an increase in fair value.
		Discount for lack of control (DLOC)	24.4%	–	A slight increase in the DLOC would result in a decrease in fair value.
- Investment V	Income approach based on discounted cash flow	Revenue growth rate	6.2%	–	A slight increase in the revenue growth rates used in isolation would result in an increase in the fair value.
		Discount rate	10.1%	–	A slight increase in the discount rate used in isolation would result in a decrease in the fair value.
		Terminal growth rate	1.5%	–	A slight increase in the terminal growth rate used in isolation would result in an increase in the fair value.
		Discount for lack of control (DLOC)	24.2%	–	A slight increase in the DLOC would result in a decrease in fair value.
Put options	Binomial option pricing model	Volatility rate	37.4%	44.6%	A slight increase in the volatility rate would result in an increase in fair value.
		Risk-free rate	1.9%	1.2%	A slight increase in the risk-free rate would result in a decrease in fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

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

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

Financial instruments	Valuation techniques used	Significant unobservable inputs	2022	2021	Relationship between key unobservable inputs and fair value
Options to re-purchase	Binomial option pricing model	Volatility rate	**35.3%**	38.8%	A slight increase in the volatility rate would result in an increase in fair value.
		Risk-free rate	**2.4%**	1.4%	A slight increase in the risk-free rate would result in an increase in fair value.
Forward purchase contracts	The valuation method considers the difference between spot price adjusted for the present value of dividends and the present value of forward price.	The fair value of the forward purchase contracts is determined based on the difference between spot price derived from equity value and present value of the forward price derived from estimated profit after tax for future years.	**–**	–	A slight increase in the spot price would result in an increase in fair value. A slight increase in the present value of the forward price would result in a decrease in fair value.
		Risk-free rate	**1.0% to 2.6%**	0.7% to 1.2%	A slight increase in the risk-free rate would result in a decrease in fair value.

Valuation policies and procedures

Management of the Group oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and SFRS(I) 13 *Fair Value Measurement* guidance.

For valuations performed by external valuation experts, the management reviews the appropriateness of the valuation methodologies and assumptions adopted. The management also evaluates the appropriateness and reliability of the inputs used in the valuations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

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

38.6 Categories of financial instruments

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

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Financial assets				
Debt instruments at amortised cost	**1,882**	1,882	**1,882**	1,882
Fair value through profit or loss				
- Derivative financial instruments	**1,242**	1,242	**1,738**	2,350
Financial assets at FVTPL	**10,044**	8,260	**10,044**	8,260
Financial assets at amortised cost	**8,484**	13,783	**4,782**	8,766
	21,652	25,167	**18,446**	21,258
Financial liabilities				
Financial liabilities designated at fair value through profit or loss	**28**	28	**28**	28
Other financial liabilities at amortised cost	**18,263**	23,333	**12,719**	6,726
	18,291	23,361	**12,747**	6,754

39. SEGMENT INFORMATION

Business segment

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

Geographical information

During the financial years ended 31 May 2022 and 31 May 2021, 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.

40. EVENTS AFTER THE REPORTING PERIOD

On 2 August 2022, the Company's wholly owned subsidiary, HC (Siglap) Pte. Ltd. (HCSIG) (formerly known as CKH (Mt A) Pte. Ltd.) issued new shares to the Company and the Company's 51% owned subsidiaries, LBPL and GMH, such that the Company, LBPL and GMH owned 30%, 40% and 30% of the total issued paid-up capital in HCSIG respectively.

41. AUTHORISATION OF FINANCIAL STATEMENTS

The statement of financial position of the Company as at 31 May 2022 and the consolidated financial statements of the Group for the financial year ended 31 May 2022 were authorised for issue in accordance with a Directors' resolution dated 30 August 2022.

STATISTICS OF SHAREHOLDINGS

AS AT 29 AUGUST 2022

SHARE CAPITAL

Class of Shares	:	Ordinary Shares
Number of issued and paid-up shares (excluding Treasury Shares)	:	148,892,230
Number of Treasury Shares	:	2,503,400
Number of subsidiary holdings	:	–
Number (Percentage) of Treasury Shares to total number of issued shares excluding Treasury Shares*	:	1.68%
Voting rights (excluding Treasury Shares)	:	One vote per ordinary share

* The Company does not have any subsidiary holdings.

DISTRIBUTION OF HOLDERS OF SHARES BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders of Shares	%	No. of Shares	%
1 - 99	0	0.00	0	0.00
100 - 1,000	51	10.90	35,500	0.02
1,001 - 10,000	193	41.24	1,197,784	0.81
10,001 - 1,000,000	212	45.30	15,276,639	10.26
1,000,001 and above	12	2.56	132,382,307	88.91
Total	468	100.00	148,892,230	100.00

LIST OF 20 LARGEST REGISTERED SHAREHOLDERS

No.	Name	No. of Shares	%
1	RAFFLES NOMINEES (PTE) LIMITED	99,587,720	66.89
2	YEO KHEE SENG BENNY	6,839,309	4.59
3	MEDINEX LIMITED	6,090,400	4.09
4	DBS NOMINEES PTE LTD	3,748,300	2.52
5	LEO TING PING RONALD	3,415,629	2.29
6	UOB KAY HIAN PTE LTD	2,886,300	1.94
7	JESSIE LOW MUI CHOO	2,615,884	1.76
8	ONG KIAN PENG (WANG JIANBIN)	2,260,000	1.52
9	IFAST FINANCIAL PTE LTD	1,471,581	0.99
10	APEX CAPITAL GROUP PTE LTD	1,270,000	0.85
11	CHUA CHIN HENG ALAN	1,156,000	0.78
12	PHILLIP SECURITIES PTE LTD	1,041,184	0.70
13	LAI JIUNN HERNG	625,555	0.42
14	MAYBANK SECURITIES PTE. LTD.	612,200	0.41
15	TEOU KEM ENG @TEOU KIM ENG	500,000	0.34
16	LAU HOOI KHENG	473,500	0.32
17	LAI JUNXU	448,000	0.30
18	LAI WENG KAY	418,000	0.28
19	CHAI KIM POH	390,000	0.26
20	SIA LING SING	340,000	0.23
Total:		136,189,562	91.48

STATISTICS OF SHAREHOLDINGS

AS AT 29 AUGUST 2022

SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of Substantial Shareholders

Name of Shareholders	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
Dr. Heah Sieu Min	63,988,980[1]	42.98	–	–
Dr. Chia Kok Hoong	34,753,440[2]	23.34	–	–

[1] 63,988,980 shares were held through Raffles Nominees (Pte) Limited
[2] 34,753,440 shares were held through Raffles Nominees (Pte) Limited

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 29 August 2022, approximately 30.15% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the SGX-ST Listing Manual Section B: Rules of the Catalist is complied with.

NOTICE OF ANNUAL GENERAL MEETING

Important Notes to Members

1. The Annual General Meeting is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.

2. This Notice of Annual General Meeting has been made available on SGXNet and the Company's website and may be accessed at the URL https://www.sgx.com/securities/company-announcements and http://www.hcsurgicalspecialists.com/en/investor-relation/news. A printed copy of this Notice of Annual General Meeting will NOT be despatched to members.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held by way of electronic means on Tuesday, 27 September 2022 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 2022 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) Mr. Lim Chye Lai, Gjan (pursuant to Regulation 97) **(Resolution 2)**
   (Please see explanatory note 3)

3. To approve the payment of Directors' fees of $111,000/- for the financial year ended 31 May 2022. (FY2021: $111,000/-) **(Resolution 3)**

4. To declare a final dividend (tax-exempt one-tier) of $0.012 per ordinary share for the financial year ended 31 May 2022. (FY2021: $0.023 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 1967 ("**Companies Act**"), and Rule 806 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 of the Company 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 options, warrants, debentures or other instruments convertible into shares;

NOTICE OF ANNUAL GENERAL MEETING

(c) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

(d) (Notwithstanding the authority conferred by the Shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force, provided always that:

(i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed one hundred per cent (100%) of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a *pro-rata* basis to Shareholders of the Company does not exceed fifty percent (50%) of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, and (subject to such manner of calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares that may be issued under this paragraph) for the purpose of this resolution, the issued share capital shall be the Company's total number of issued shares excluding treasury shares and subsidiary holdings at the time this resolution is passed, after adjusting for:

(a) new shares arising from the conversion or exercise of convertible securities, or

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules, and

(c) any subsequent bonus issue, consolidation or subdivision of the Company's shares;

(ii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(iii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next annual general meeting ("**AGM**") or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier."

(Resolution 6)
(Please see explanatory note 4)

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

"That:

(a) authority be and is hereby given to the Directors of the Company to offer and grant share awards in accordance with the HCSS Performance Share Plan; and

(b) approval be and is hereby given to the Directors of the Company to exercise full powers of the Company to allot and issue from time to time such number of shares as may be required to be allotted and issued pursuant to the award of shares under the HCSS Performance Share Plan,

provided that the aggregate number of shares to be issued pursuant to the HCSS Employee Share Option Scheme and the HCSS Performance Share Plan shall not exceed fifteen per cent (15%) of the total number of issued shares excluding treasury shares in the capital of the Company from time to time."

(Resolution 7)
(Please see explanatory note 5)

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 of the Company 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 of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or acquire its issued and fully paid-up shares not exceeding in aggregate the Maximum Limit (as defined below), 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) a market purchase ("**Market Purchase**"), transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or

      (ii) an off-market purchase ("**Off-Market Purchase**"), effected otherwise than on the SGX-ST pursuant to an equal access scheme in accordance with Section 76C of the Companies Act,

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

   (b) unless varied or revoked by the Shareholders in a general meeting, purchases or acquisitions of shares pursuant to the Share Buy-Back Mandate may be made, at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

      (i) the conclusion of the next AGM or 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

      (the "**Relevant Period**"),

NOTICE OF ANNUAL GENERAL MEETING

(c) in this Resolution:

"**Maximum Limit**" means that number of shares of the Company representing not more than ten per cent (10%) of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings) as at the date of the passing of this Resolution, unless the Company has effected a reduction of the share capital of the Company with the applicable provisions of the Companies Act at any time during the Relevant Period, in which event the total number of issued Shares shall be taken to be the total number of issued shares of the Company as altered (excluding any treasury shares that may be held by the Company from time to time and subsidiary holdings);

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

(i) in the case of a Market Purchase, one hundred and five per cent (105%) of the Average Closing Price (as defined below); and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent (120%) of the Average Closing Price, where:

"**Average Closing Price**" means the average of the closing market prices of the shares of the Company 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, before the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs during the relevant five (5) Market Days period and the day on which the purchases are made;

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

"**Market Day**" means a day on which the SGX-ST is open for trading in securities; and

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

(Resolution 9)
(Please see explanatory note 6)

BY ORDER OF THE BOARD

Ms. Lin Moi Heyang
Company Secretary

Singapore, 5 September 2022

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 and Regulation 142 of the Company's Constitution, the Audited Financial Statements need to be laid before the meeting and hence, the matter will not be put forward for voting.

2. The key information of Dr. Heah Sieu Min can be found on page 14 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 Mr. Lim Chye Lai, Gjan can be found on page 15 in the Annual Report. Mr. Lim Chye Lai, Gjan will, upon re-election as a Director of the Company, remain as the Non-Independent Non-executive Director, a member of the Audit Committee, Remuneration Committee and Nominating Committee of the Company.

4. The ordinary resolution 6 above is to authorise the Directors of the Company from the date of the above AGM until the next AGM to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate one hundred per cent (100%) of the issued share capital of the Company of which the total number of shares and convertible securities issued other than on a *pro-rata* basis to existing Shareholders shall not exceed fifty per cent (50%) of the issued share capital of the Company (excluding treasury shares and subsidiary holdings) at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next AGM of the Company.

5. The ordinary resolutions 7 and 8 above are to authorise the Directors of the Company to offer and award shares pursuant to the HCSS Performance Share Plan as well as grant options and to issue shares pursuant to the exercise of the options under the HCSS Employee Share Option Scheme, provided that the aggregate number of shares to be issued shall not exceed fifteen per cent (15%) of the Company's issued shares, excluding treasury shares in the capital of the Company from time to time.

6. The ordinary resolution 9 above is to authorise the Directors of the Company 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 the share buybacks are carried out to the full extent mandated, or the date on which such authority is revoked or varied by the Shareholders in a general meeting, whichever is the earliest, to purchase up to ten per cent (10%) of the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings). Please refer to the Appendix to this Annual Report for details.

Documents for the AGM

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

   SGX's website: https://www.sgx.com/securities/company-announcements
   Company's website: http://www.hcsurgicalspecialists.com/en/investor-relation/news

Participation in the AGM via live webcast or live audio feed

2. As the AGM will be held by way of electronic means, members will NOT be able to attend the AGM in person. Instead, alternative arrangements have been put in place to allow members to participate at the AGM by:–

   (a) watching the AGM proceedings via live audio-visual webcast or listening to the AGM proceedings via live audio-only feed;

   (b) submitting questions in advance of the AGM; and/or

   (c) appointing the Chairman of the AGM as proxy to vote on their behalf at the AGM.

   A quorum is formed by 2 members of the Company being electronically present.

3. Members are required to pre-register their participation in the AGM ("**Pre-registration**") at this link: https://septusasia.com/hcssagm2022 ("**AGM Registration and Q&A Link**") by **2.00 p.m.** on **24 September 2022**, Saturday ("**Registration Deadline**") for verification of their status as members (or the corporate representatives of such members).

4. Upon successful verification, each such member or its corporate representative will receive an email by **2.00 p.m.** on **26 September 2022**, Monday. The email will contain instructions to access the webcast or audio feed of the AGM proceedings. Members or their corporate representatives must not forward the email to other persons who are not members and who are not entitled to participate in the AGM proceedings. Members or their corporate representatives who have pre-registered by the Registration Deadline but do not receive an email by **2.00 p.m.** on **26 September 2022**, Monday may contact the Company by email at contact@hcsurgicalspecialists.com.

NOTICE OF ANNUAL GENERAL MEETING

5. Investors who hold Shares through depository agents (as defined in Section 81SF of the Securities and Futures Act 2001) and wish to watch the "live" audio-visual webcast of the AGM must approach their respective depository agents to pre-register by **5.00 p.m.** on **15 September 2022** in order to allow sufficient time for their respective depository agents to in turn pre-register their interest with the Company.

Voting by Proxy

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

7. Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the proxy form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

8. The duly executed Proxy Form can be submitted to the Company in the following manner:

   (a) if submitted in hard copy by post, be lodged at the office of the Company's Share Registrar at 80 Robinson Road, #02-00, Singapore 068898; or

   (b) if submitted electronically, by sending a scanned PDF copy via email to sg.is.proxy@sg.tricorglobal.com,

   in either case, by **2.00 p.m.** on **24 September 2022** (being at least 72 hours before the time appointed for holding the AGM) (the "**Proxy Deadline**").

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

10. Investors who hold their Shares through relevant intermediaries as defined in Section 181 of the Companies Act (including CPF investors, SRS investors and holders under depository agents) and who wish to exercise their votes by appointing the Chairman of the AGM as proxy should approach their respective relevant intermediaries (including their respective CPF agent banks, SRS approved banks or depository agents) to submit their voting instructions by **5.00 p.m.** on **15 September 2022** in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf **no later than the Proxy Deadline**.

11. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.

12. The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing the Chairman of the AGM as proxy.

13. In the case of a member of the Company whose shares are entered against his/her name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001), the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged if such member is not shown to have shares entered against his/her name in the Depository Register at least 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

Submission of questions prior to the AGM

14. Members may submit questions related to the resolutions to be tabled at the AGM in the following manner:

   (a) if submitted electronically, by email to contact@hcsurgicalspecialists.com;

   (b) if submitted in hard copy, by post to the Company's office at 233 River Valley Road, #B1-04/05 RV Point, Singapore 238291; or

   (c) during Pre-registration via the AGM Registration and Q&A Link;

   in any case, by **2.00 p.m.** on **15 September 2022.**

   Members who submit questions must provide the following information: (i) the member's full name; (ii) the member's identification number; (iii) the member's address; and (iv) the manner in which the member holds shares in the Company (e.g., via CDP, scrip, CPF or SRS).

NOTICE OF ANNUAL GENERAL MEETING

15. The Board of Directors of the Company will endeavour to address all substantial and relevant questions received from members by **2.00 p.m.** on **22 September 2022** by publishing the responses to those questions on SGXNet at the URL https://www.sgx.com/securities/company-announcements and the Company's website at the URL http://www.hcsurgicalspecialists.com/en/investor-relation/news. This is to allow members sufficient time and opportunity to consider the Company's response before the deadline for the submission of proxy forms, which is **2.00 p.m.** on **24 September 2022**. Where substantial and relevant questions submitted by members are unable to be addressed prior to the AGM, or are submitted after **2.00 p.m.** on **15 September 2022**, the Company will address them during the AGM through the live audio-visual webcast and live audio-only feed.

16. The Company shall only address relevant and substantial questions (as may be determined by the Company in its sole discretion) received. The Company will publish the minutes of the AGM on SGXNet and the Company's website within one month after the date of the AGM.

Important Reminder:

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

Personal data privacy:

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

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Dr. Heah Sieu Min and Mr. Lim Chye Lai, Gjan are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 27 September 2022 ("**AGM**") (collectively, the "**Retiring Directors**").

Pursuant to Rule 720(5) of the Listing Manual Section B: Rules of the Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the following is the information relating to the Retiring Directors as set out in Appendix 7F to the Listing Manual Section B: Rules of the Catalist of the SGX-ST:-

Name	Dr. Heah Sieu Min	Mr. Lim Chye Lai, Gjan
Date of Appointment	1 September 2015	28 September 2016
Date of last re-appointment (if applicable)	29 September 2020	26 September 2019
Age	58	43
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having considered the recommendation of the Nominating Committee and assessed the qualifications and experience of Dr. Heah Sieu Min, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as the Executive Director and Chief Executive Officer of the Company.	The Board, having considered the recommendation of the Nominating Committee and assessed the qualifications and experience of Mr. Lim Chye Lai, Gjan, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as the Non-Independent Non-executive Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive Dr. Heah is responsible for the overall management, strategic planning and business development of the Group.	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	• Executive Director • Chief Executive Officer	• Non-Independent Non-executive Director • Member of the Audit, Remuneration and Nominating Committee
Professional qualifications	Please refer to the Board of Directors section in the Company's Annual Report 2022.	Please refer to the Board of Directors section in the Company's Annual Report 2022.
Working experience and occupation(s) during the past 10 years	Please refer to the Board of Directors section in the Company's Annual Report 2022.	Please refer to the Board of Directors section in the Company's Annual Report 2022.
Shareholding interest in the listed issuer and its subsidiaries	Direct interest: 63,988,980 ordinary shares	Direct interest: 220,000 ordinary shares Deemed interest: 30,000 ordinary shares
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None
Conflict of Interest (including any competing business)	None	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	Dr. Heah Sieu Min	Mr. Lim Chye Lai, Gjan
Other Principal Commitments Including Directorships		
Past (for the last 5 years)	Past Directorships: • Heah Holdings Pte Ltd • Heah Hospital Services Pte Ltd • Heah and Chia Surgical Associates Pte Ltd • Heah Sieu Min (Paragon) Pte Ltd • SHL Group Pte Ltd • Heah SM Enterprise Pte Ltd • HMC Medical Pte Ltd • CTK Tan Surgery Pte Ltd • Nex Healthcare Pte Ltd • CKH (Mt E) Pte Ltd • Heah Sen Holdings Pte Ltd • CH Hillford Investments Pte Ltd • G 7 Investment Holdings Pte Ltd • Medico Republic (S) Pte Ltd • PLS Holdings Pte Ltd	Past Directorships: None
Present	Present Directorships: • Heah Sieu Min (Mt E) Pte Ltd • Heah Sieu Min (Bukit Batok) Pte Ltd • CKH (Farrer Park) Pte Ltd • Hannah Medical Pte Ltd • HC (Hillford) Pte Ltd • HC (GM) Pte Ltd • HC (Siglap) Pte Ltd • HC (TPY) Pte Ltd • Lai BEC Pte Ltd • Malcolm Lim Pte Ltd • Medical Services @ Tampines Pte Ltd • HSN Healthcare Pte Ltd • Julian Ong Endoscopy & Surgery Pte Ltd • Medical L & C Services Pte Ltd • HC and Island Family Pte Ltd • Jason Lim Endoscopy and Surgery Pte Ltd • HC (Ming) Pte Ltd • Medistar Services Pte Ltd • HC (AMK) Pte Ltd • GMH Endoscopy & Surgery Pte Ltd • Chee & Heah Surgical Associates Pte Ltd • CH Investment Holdings Pte Ltd • HC3 Pte Ltd • Heah Hillford Holdings Pte Ltd • Heah Sieu Min (Equity) Pte Ltd • Heah Sieu Min (RVP) Pte Ltd • Heah Sieu Min (Novena) Pte Ltd • Heah SM Investments Pte Ltd • HSM City Gate Pte Ltd • King Heah Pte Ltd • HSM (N) Pte Ltd	Present Directorships: • Healthcare Essentials Pte. Ltd.

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name		Dr. Heah Sieu Min	Mr. Lim Chye Lai, Gjan
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	Dr. Heah Sieu Min	Mr. Lim Chye Lai, Gjan
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	Dr. Heah Sieu Min	Mr. Lim Chye Lai, Gjan
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:- i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name	Dr. Heah Sieu Min	Mr. Lim Chye Lai, Gjan
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	Dr. Heah was previously being notified by the Singapore Medical Association ("SMA") and/or Singapore Medical Council ("SMC") of the following complaints:- (i) by a patient for erroneous billing in December 2012, whereby the error had since been rectified prior to such notification and the complaint was subsequently dismissed by the SMC; (ii) by another specialist doctor for not making inquiries with him personally prior to taking over the case of a patient in January 2010, whereby Dr. Heah cooperated with the SMC during their inquiry and the complaint had since been dismissed; and (iii) in November 2015, by a patient who alleged that Dr. Heah had misdiagnosed her condition, whereby Dr. Heah maintains that his diagnosis had been correct and that, *inter alia*, the patient had not purchased the medicine he prescribed to her following his diagnosis and had consumed other medication of unverified origin. The SMA had since responded to the complainant and there had been no further action.	No
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

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HC SURGICAL SPECIALISTS LIMITED

(the "**Company**")
(Incorporated in the Republic of Singapore)
(Company Registration No. 201533429G)

IMPORTANT

1. The Annual General Meeting ("**AGM**") is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The Annual Report and Notice of AGM dated 5 September 2022 may be accessed at the Company's website http://www.hcsurgicalspecialists.com/en/investor-relation/news and on the SGX website at the URL https://www.sgx.com/securities/company-announcements.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via live audio-visual webcast or live audio-only feed), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Notice of AGM.
3. **A member will not be able to attend the AGM in person. A member of the Company (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. In appointing the Chairman of the AGM as proxy to vote on his/her/its behalf, a member of the Company (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.**
4. For investors who have used their Central Provident Fund ("CPF")/Supplementary Retirement Scheme ("SRS") monies to buy shares in the capital of the Company, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS Investors are requested to contact their respective Agent Banks to specify their voting instructions and to submit their votes by 5.00 p.m. on 15 September 2022.
5. By submitting this proxy form, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM.
6. **Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman of the AGM as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.**

PROXY FORM
ANNUAL GENERAL MEETING

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

*I/We ______________________ (Name) ______________________ (NRIC/Passport Number)

of ____ (Address)

being a *member/members of **HC Surgical Specialists Limited** (the "**Company**"), hereby appoint the Chairman of the AGM, as *my/our proxy to attend and to vote for *me/us on *my/our behalf at the AGM of the Company to be held by way of electronic means (via live audio-visual webcast or live audio-only feed) on Tuesday, 27 September 2022 at 2.00 p.m. and at any adjournment thereof. *I/We direct the Chairman of the AGM as *my/our proxy to vote for or against or abstain from voting on the resolutions proposed at the AGM as indicated hereunder.

No.	Ordinary Resolutions	For*	Against*	Abstain*
1.	Re-election of Dr. Heah Sieu Min as Director			
2.	Re-election of Mr. Lim Chye Lai, Gjan as Director			
3.	Directors' Fees of $111,000/- for the financial year ended 31 May 2022			
4.	Declaration of final dividend (tax-exempt one-tier) of $0.012 per ordinary share for the financial year ended 31 May 2022			
5.	Re-appointment of BDO LLP as auditors of the Company			
6.	Authority to issue ordinary shares			
7.	Authority to issue shares under the HCSS Performance Share Plan			
8.	Authority to issue shares under the HCSS Employee Share Option Scheme			
9.	Proposed Renewal of the Share Buy-Back Mandate			

* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" or "Abstain", please tick (✓) within the box provided. Alternatively, please indicate the number of votes in the box appropriately. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.**

Dated this __________ day of ______________ 2022

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

____
Signature/Common Seal of Member(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. A member will not be able to attend the AGM in person. A member of the Company (whether individual or corporate) must submit his/her/its proxy form appointing the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.

2. The duly executed Proxy Form can be submitted to the Company in the following manner:

   a) if submitted in hard copy by post, be lodged at the office of the Company's Share Registrar at 80 Robinson Road, #02-00, Singapore 068898; or

   b) if submitted electronically, by sending a scanned PDF copy via email to sg.is.proxy@sg.tricorglobal.com.

   in either case, by **2.00 p.m.** on **24 September 2022** (being at least 72 hours before the time appointed for the AGM) (the "**Proxy Deadline**").

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

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

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

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

5. The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the AGM as proxy. In addition, in the case of a member of the Company whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged if such member is not shown to have shares entered against his/her name in the Depository Register at least 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

6. Investors who hold their Shares through relevant intermediaries as defined in Section 181 of the Companies Act 1967 (including CPF investors, SRS investors and holders under depository agents) and who wish to exercise their votes by appointing the Chairman of the AGM as proxy should approach their respective relevant intermediaries (including their respective CPF agent banks, SRS approved banks or depository agents) to submit their voting instructions by **5.00 p.m.** on **15 September 2022** in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf no later than the Proxy Deadline.

PERSONAL DATA PRIVACY:

By attending the AGM and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 5 September 2022.

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

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80 Robinson Road #02-00
Singapore 068898

AUDITORS

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600 North Bridge Road
#23-01 Parkview Square
Singapore 188778
Partner-in-Charge: TEI TONG HUAT
(Appointed since the financial
year ended 31 May 2021)

PRINCIPAL BANKERS

OVERSEA-CHINESE BANKING CORPORATION LIMITED

UNITED OVERSEAS BANK LIMITED

STANDARD CHARTERED BANK (SINGAPORE) LIMITED

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