



HC Surgical Specialists Limited

**Condensed interim financial statements
For the six months ended 30 November 2022**

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A. Condensed interim consolidated statement of profit or loss and other comprehensive income

	Note	Group		Change %
		6 months ended		
		30 November 2022 (Unaudited) S\$'000	30 November 2021 (Unaudited) S\$'000	
Revenue	4.2	10,118	10,409	-2.8%
<i>Other items of income</i>				
Other income		864	1,129	-23.5%
Fair value gain on financial assets at FVTPL		-	689	N.M.
Fair value gain on derivative financial instruments		283	-	N.M.
<i>Items of expense</i>				
Changes in inventories		(23)	28	N.M.
Inventories, consumables and surgery expenses		(1,363)	(1,436)	-5.1%
Employee benefits expense		(3,281)	(3,495)	-6.1%
Depreciation and amortisation expenses		(829)	(862)	-3.8%
Lease expenses		(9)	(36)	-75.0%
Fair value loss on financial assets at FVTPL		(902)	-	N.M.
Other expenses		(1,746)	(816)	114.0%
Finance costs		(288)	(98)	193.9%
Profit before income tax	6.1	2,824	5,512	-48.8%
Income tax expense	7	(594)	(615)	-3.4%
Profit for the financial period, representing total comprehensive income for the financial period		2,230	4,897	-54.5%
Profit and total comprehensive income attributable to:				
Owners of the parent		2,051	4,642	-55.8%
Non-controlling interests		179	255	-29.8%
		2,230	4,897	-54.5%

N.M. – Not meaningful

B. Condensed interim statements of financial position

	Note	Group		Company	
		30 November 2022 (Unaudited) S\$'000	31 May 2022 (Audited) S\$'000	30 November 2022 (Unaudited) S\$'000	31 May 2022 (Audited) S\$'000
ASSETS					
Non-current assets					
Plant and equipment	11	1,787	1,496	13	12
Intangible assets	12	3,541	4,037	1	2
Right-of-use assets		2,718	2,383	69	99
Investments in subsidiaries	13	-	-	13,673	14,339
Investment in associate		480	480	480	480
Investment in joint ventures		182	182	182	182
Debt instruments at amortised cost		-	1,882	-	1,882
Financial assets at FVTPL	14	9,237	10,044	9,237	10,044
Deferred tax assets		94	99	-	-
Derivative financial instruments	15	1,525	1,242	2,073	1,738
Other receivables		-	-	89	36
		19,564	21,845	25,817	28,814
Current assets					
Inventories		353	376	-	-
Trade and other receivables		1,871	1,556	3,078	1,909
Prepayments		388	255	277	114
Debt instruments at amortised cost		1,882	-	1,882	-
Cash and bank balances		5,421	6,928	1,773	2,837
		9,915	9,115	7,010	4,860
Total assets		29,479	30,960	32,827	33,674
EQUITY AND LIABILITIES					
Equity					
Share capital	16	15,419	15,419	15,419	15,419
Treasury shares		(996)	(996)	(996)	(996)
Merger reserve		(815)	(815)	-	-
Capital reserve	17	(13,652)	(13,652)	(164)	(164)
Other reserve	18	(2,179)	(2,633)	-	-
Retained earnings		13,941	13,677	7,554	6,383
Equity attributable to owners of the parent		11,718	11,000	21,813	20,642
Non-controlling interests		345	221	-	-
Total equity		12,063	11,221	21,813	20,642

B. Condensed interim statements of financial position (continued)

	Note	Group		Company	
		30 November 2022 (Unaudited) S\$'000	31 May 2022 (Audited) S\$'000	30 November 2022 (Unaudited) S\$'000	31 May 2022 (Audited) S\$'000
Non-current liabilities					
Deferred tax liabilities		95	98	-	-
Derivative financial instruments	15	28	28	28	28
Other financial liabilities	19	1,642	2,096	-	-
Other payables	20	2,040	5,723	2,040	5,723
Bank borrowings	21	1,922	2,550	1,922	2,550
Provisions		106	106	21	21
Lease liabilities		1,831	1,492	100	76
		<u>7,664</u>	<u>12,093</u>	<u>4,111</u>	<u>8,398</u>
Current liabilities					
Trade and other payables		6,425	4,436	5,258	3,060
Bank borrowings	21	1,250	1,237	1,250	1,237
Lease liabilities		995	973	233	198
Current income tax payable		1,082	1,000	162	139
		<u>9,752</u>	<u>7,646</u>	<u>6,903</u>	<u>4,634</u>
Total liabilities		<u>17,416</u>	<u>19,739</u>	<u>11,014</u>	<u>13,032</u>
Total equity and liabilities		<u>29,479</u>	<u>30,960</u>	<u>32,827</u>	<u>33,674</u>

C. Condensed interim statements of changes in equity

Group (Unaudited)	Note	Share	Treasury	Merger	Capital	Other	Retained	Equity	Non-	Total
		capital	shares	reserve	reserve	reserve	earnings	attributable to	controlling	equity
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	owners of the	interests	S\$'000
								Company		
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 June 2022		15,419	(996)	(815)	(13,652)	(2,633)	13,677	11,000	221	11,221
Profit for the financial period		-	-	-	-	-	2,051	2,051	179	2,230
Total comprehensive income for the financial period		-	-	-	-	-	2,051	2,051	179	2,230
Distributions to owners										
Dividends	8	-	-	-	-	-	(1,787)	(1,787)	-	(1,787)
Total transactions with owners		-	-	-	-	-	(1,787)	(1,787)	-	(1,787)
Transactions with non-controlling interests										
Dividends		-	-	-	-	-	-	-	(55)	(55)
Total transactions with non-controlling interests		-	-	-	-	-	-	-	(55)	(55)
Others										
Present value of forward purchase contract		-	-	-	-	454	-	454	-	454
Total others		-	-	-	-	454	-	454	-	454
Balance at 30 November 2022		15,419	(996)	(815)	(13,652)	(2,179)	13,941	11,718	345	12,063
Group (Unaudited)										
	Note	Share	Treasury	Merger	Capital	Other	Retained	Equity	Non-	Total
		capital	shares	reserve	reserve	reserve	earnings	attributable to	controlling	equity
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	owners of the	interests	S\$'000
								Company		
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'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 period		-	-	-	-	-	4,642	4,642	255	4,897
Total comprehensive income for the financial period		-	-	-	-	-	4,642	4,642	255	4,897
Distributions to owners										
Dividends	8	-	-	-	-	-	(3,425)	(3,425)	-	(3,425)
Total transactions with owners		-	-	-	-	-	(3,425)	(3,425)	-	(3,425)
Transactions with non-controlling interests										
Acquisition of non-controlling interests without a change in control		-	-	-	(10,543)	8,188	-	(2,355)	(33)	(2,388)
Dividends		-	-	-	-	-	-	-	(1,023)	(1,023)
Total transactions with non-controlling interests		-	-	-	(10,543)	8,188	-	(2,355)	(1,056)	(3,411)
Balance at 30 November 2021		15,419	(996)	(815)	(14,473)	(4,470)	14,023	8,688	121	8,809

C. Condensed interim statements of changes in equity (continued)

Company (Unaudited)		Share capital	Treasury shares	Capital reserve	Retained earnings	Total equity
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 June 2022		15,419	(996)	(164)	6,383	20,642
Profit for the financial period		-	-	-	2,958	2,958
Total comprehensive income for the financial period		-	-	-	2,958	2,958
Distributions to owners						
Dividends	8	-	-	-	(1,787)	(1,787)
Total transactions with owners		-	-	-	(1,787)	(1,787)
Balance at 30 November 2022		15,419	(996)	(164)	7,554	21,813

Company (Unaudited)		Share capital	Treasury shares	Capital reserve	Retained earnings	Total equity
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 June 2021		15,419	(996)	(164)	6,787	21,046
Profit for the financial period		-	-	-	3,609	3,609
Total comprehensive income for the financial period		-	-	-	3,609	3,609
Distributions to owners						
Dividends	8	-	-	-	(3,425)	(3,425)
Total transactions with owners		-	-	-	(3,425)	(3,425)
Balance at 30 November 2021		15,419	(996)	(164)	6,971	21,230

D. Condensed interim consolidated statement of cash flows for the Group

	6 months ended	
	30 November 2022 (Unaudited) S\$'000	30 November 2021 (Unaudited) S\$'000
Operating activities		
Profit before income tax	2,824	5,512
Adjustments for:		
Allowance for impairment loss on goodwill	495	-
Amortisation of intangible assets	1	2
Bad third parties trade receivables written off	1	-
Depreciation of plant and equipment	201	263
Depreciation of right-of-use assets	627	597
Dividend income from financial assets at FVTPL	(590)	(592)
Fair value gain on derivative financial instruments	(283)	-
Fair value loss/(gain) on financial assets at FVTPL	902	(689)
Gain on divestment in a financial asset at FVTPL	(124)	-
Loss on disposal of plant and equipment	15	16
Loss on lease modification	-	7
Loss on modification of financial liability	319	-
Interest expense	288	98
Interest income	(69)	(81)
Inventories written off	2	8
Plant and equipment written off	5	43
Reversal of provision for reinstatement not utilised	-	(16)
Rent concession	-	(7)
Operating cash flows before working capital changes	4,614	5,161
Working capital changes:		
Inventories	21	(36)
Trade and other receivables	(120)	517
Prepayments	(133)	(53)
Trade and other payables	(408)	(837)
Cash generated from operations	3,974	4,752
Income tax paid	(510)	(726)
Net cash from operating activities	3,464	4,026
Investing activities		
Dividend received from financial assets at FVTPL	395	339
Interest received	68	58
Proceeds from capital reduction in financial assets at FVTPL	28	-
Proceeds from disposal of plant and equipment	7	20
Proceeds from disposal of shares in financial assets at FVTPL	1	-
Purchase of plant and equipment	(519)	(169)
Net cash (used in)/from investing activities	(20)	248

D. Condensed interim consolidated statement of cash flows for the Group (continued)

	6 months ended	
	30 November 2022 (Unaudited) S\$'000	30 November 2021 (Unaudited) S\$'000
Financing activities		
Acquisition of non-controlling interests in subsidiaries	(1,812)	(2,512)
Dividends paid to owners of the parent	(1,787)	(3,425)
Dividends paid to non-controlling interests	(55)	(1,023)
Interest paid	(35)	(47)
Repayment of bank borrowings	(615)	(603)
Repayment of principal portion of lease liabilities	(602)	(573)
Repayment of interest portion of lease liabilities	(45)	(51)
Net cash used in financing activities	(4,951)	(8,234)
Net change in cash and cash equivalents	(1,507)	(3,960)
Cash and cash equivalents at beginning of financial period/year	6,928	10,988
Cash and cash equivalents at end of financial period/year	5,421	7,028

E. Notes to the condensed interim consolidated financial statements

1. 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**”). These condensed interim consolidated financial statements as at and for the six months ended 30 November 2022 comprise the Company and its subsidiaries (collectively, the “**Group**”).

The primary activity of the Company is that of an investment holding company. The principal activities of the Group are those of providing specialised medical services (including day surgical centres), clinics and other general medical services.

The financial information contained in this announcement has neither been audited nor reviewed by the Company's auditors. The latest audited annual financial statements of the Group were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

2. Basis of Preparation

The condensed interim financial statements for the six months ended 30 November 2022 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the latest audited annual financial statements for the year ended 31 May 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar which is the Company's functional currency.

2.1 New and amended standards adopted by the Group

A number of amendments to standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2 Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 May 2022.

E. Notes to the condensed interim consolidated financial statements (continued)

2. Basis of Preparation (continued)

2.2 Use of judgements and estimates (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

- Note 12 - Impairment of goodwill
- Note 13 - Impairment of investments in subsidiaries
- Note 14 - Fair value of financial assets measured at fair value through profit or loss ("FVTPL")
- Note 15 – Fair value of derivative financial instruments ("DFI")

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

4.1 Business and geographical segments

Not applicable, the Group has only a single business segment and one geographical segment.

4.2 Disaggregation of revenue

	Group	
	6 months ended	
	30 November 2022	30 November 2021
	(Unaudited)	(Unaudited)
	S\$'000	S\$'000
<u>Type of goods or services</u>		
Provision of medical services	10,118	10,409
<u>Timing of transfer of goods and services</u>		
Point in time	10,118	10,409

E. Notes to the condensed interim consolidated financial statements (continued)

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 November 2022 and 31 May 2022:

	Group		Company	
	30 November 2022 (Unaudited) S\$'000	31 May 2022 (Audited) S\$'000	30 November 2022 (Unaudited) S\$'000	31 May 2022 (Audited) S\$'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	1,525	1,242	2,073	1,738
Financial assets at FVTPL	9,237	10,044	9,237	10,044
Financial assets at amortised cost	7,292	8,484	4,940	4,782
	<u>19,936</u>	<u>21,652</u>	<u>18,132</u>	<u>18,446</u>
Financial Liabilities				
Financial liabilities designated at FVTPL	28	28	28	28
Other financial liabilities at amortised cost	15,858	18,263	10,668	12,719
	<u>15,886</u>	<u>18,291</u>	<u>10,696</u>	<u>12,747</u>

6. Profit before income tax

6.1 Significant items

	Group	
	30 November 2022 (Unaudited) S\$'000	30 November 2021 (Unaudited) S\$'000
Other income		
Government grants	29	385
Dividend income	590	592
Interest income	69	81
Other expenses		
Allowance for impairment loss on goodwill	495	-
Administrative charges	50	60
Bad third parties trade receivables written off	1	-
Credit card charges	85	64
Loss on disposal of plant and equipment	15	16
Loss on lease modification	-	7
Loss on modification of financial liability	319	-
IT expenses	42	37
Plant and equipment written off	5	43
Professional fees	147	121

6.2 Related party transactions

There are no material related party transactions apart from those disclosed elsewhere in the financial statements.

E. Notes to the condensed interim consolidated financial statements (continued)

7. Income tax expense

	Group	
	6 months ended	
	30 November 2022 (Unaudited) S\$'000	30 November 2021 (Unaudited) S\$'000
<u>Current income tax</u>		
- current financial year	591	634
- under/(over) provision in prior financial years	1	(5)
	592	629
 <u>Deferred tax</u>		
- current financial year	2	(14)
		(14)
 Total income tax expense recognised in consolidated statement of comprehensive income	594	615

8. Dividends

	Group	
	6 months ended	
	30 November 2022 (Unaudited) S\$'000	30 November 2021 (Unaudited) S\$'000
Final tax-exempt dividend of S\$0.023 per ordinary share for financial year ended 31 May 2021	-	3,425
Final tax-exempt dividend of S\$0.012 per ordinary share for financial year ended 31 May 2022	1,787	-
	1,787	3,425

9. Earnings per share

	Group	
	6 months ended	
	30 November 2022 (Unaudited)	30 November 2021 (Unaudited)
Earnings per share ("EPS")		
Profit attributable to owners of the parent (S\$)	2,051,000	4,642,000
Weighted average number of ordinary shares in issue	148,892,230	148,892,230
Basic EPS (cents per share)	1.38	3.12
Fully diluted EPS (cents per share)	1.38	3.12

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

E. Notes to the condensed interim consolidated financial statements (continued)

10. Net asset value

Net asset value ("NAV")	Group		Company	
	30 November 2022 (Unaudited)	31 May 2022 (Audited)	30 November 2022 (Unaudited)	31 May 2022 (Audited)
NAV (S\$)	11,718,000	11,000,000	21,813,000	20,642,000
Number of ordinary shares in issue	148,892,230	148,892,230	148,892,230	148,892,230
NAV per ordinary share (S\$ cents)	7.87	7.39	14.65	13.86

11. Plant and equipment

During the six months ended 30 November 2022, the Group acquired assets amounting to S\$519,000 (30 November 2021: S\$169,000), disposed assets amounting to S\$22,000 (30 November 2021: S\$36,000), and wrote off assets amounting to S\$5,000 (30 November 2021: S\$43,000).

12. Intangible assets

	Goodwill S\$'000	Computer software S\$'000	Total S\$'000
Group			
Cost			
Balance at beginning and end of financial period	5,917	31	5,948
Accumulated amortisation and impairment			
Balance at 1 June 2022	1,882	29	1,911
Amortisation for the financial period	-	1	1
Impairment loss for the financial period	495	-	495
Balance at 30 November 2022	2,377	30	2,407
Net carrying amount			
Balance at 30 November 2022	3,540	1	3,541
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

E. Notes to the condensed interim consolidated financial statements (continued)

12. Intangible assets (continued)

	Computer software	
	30 November 2022 (Unaudited) S\$'000	31 May 2022 (Audited) S\$'000
Company		
Cost		
Balance at beginning and end of financial period/year	13	13
Accumulated amortisation		
Balance at beginning of financial period/year	11	8
Amortisation for the financial period/year	1	3
Balance at end of financial period/year	12	11
Net carrying amount		
Balance at end of financial period/year	1	2

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	
	30 November 2022 (Unaudited) S\$'000	31 May 2022 (Audited) S\$'000
Name of subsidiaries		
LAI BEC Pte. Ltd. ("LBPL")	815	815
Julian Ong Endoscopy & Surgery Pte. Ltd. ("JOES")	182	677
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
	3,540	4,035

Impairment test for goodwill

As at 30 November 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 (31 May 2022: 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.

E. Notes to the condensed interim consolidated financial statements (continued)

12. Intangible assets (continued)

Impairment test for goodwill (continued)

Key assumptions used for value-in-use calculations:

	Revenue growth rates		Discount rate	
	30 November 2022 (Unaudited)	31 May 2022 (Audited)	30 November 2022 (Unaudited)	31 May 2022 (Audited)
LBPL	2%	2%	10.5%	10.5%
JOES	-38% to 20%	-65% to 245%	10.5%	10.5%
MLCS	2% to 3%	2% to 3%	10.5%	10.5%
MST	2%	2%	10.5%	10.5%
JLES	5%	5% to 15%	10.5%	10.5%
GMH	9% to 20%	15% to 20%	10.5%	10.5%

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.

During the current financial period, the Group has made an impairment loss of approximately S\$495,000 (31 May 2022: S\$745,000) to JOES under the 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 S\$721,000 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.

13. Investments in subsidiaries

	Company	
	30 November 2022 (Unaudited) S\$’000	31 May 2022 (Audited) S\$’000
Unquoted equity shares, at cost	19,593	19,593
Allowance for impairment loss	(5,920)	(5,254)
	13,673	14,339

Movements in allowance for impairment loss were as follows:

	Company	
	30 November 2022 (Unaudited) S\$’000	31 May 2022 (Audited) S\$’000
Balance at beginning of financial period/year	5,254	4,083
Impairment loss for the financial period/year	666	1,171
Balance at end of financial period/year	5,920	5,254

E. Notes to the condensed interim consolidated financial statements (continued)

13. Investments in subsidiaries (continued)

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 S\$666,000 was recognised for a subsidiary for the current financial period (31 May 2022: S\$1,171,000 for two subsidiaries).

The recoverable amount of the impaired subsidiary which was approximately S\$721,000 was 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 disclosed above.

14. Financial assets at FVTPL

Financial assets at FVTPL comprise the following:

	Group and Company	
	30 November 2022 (Unaudited) S\$'000	31 May 2022 (Audited) S\$'000
Balance at beginning of financial period/year	10,044	8,260
Additions during the financial period/year	296	1,276
Capital reduction during the financial period/year	(28)	(100)
Disposal during the financial period/year	(1)	-
Divestment during the financial period/year	(172)	-
Fair value (loss)/gain during the financial period/year	(902)	608
Balance at end of financial period/year	9,237	10,044

On 22 November 2022, the Group and the Company received 1,748,827 ordinary shares in Aoxin Q & M Dental Group Limited (“Aoxin”) from its investment in Acumen Holdings Pte. Ltd. (“Acumen”) as part of Acumen’s winding down process. The fair value of the investment in Aoxin was approximately S\$296,000 as at 30 November 2022.

Financial assets at FVTPL decreased mainly due to fair value loss of S\$902,000, divestment of investment in Acumen of S\$172,000, capital reduction of S\$28,000 and disposal of investment of S\$1,000.

14.1 Fair value measurement

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).

E. Notes to the condensed interim consolidated financial statements (continued)

14. Financial assets at FVTPL (continued)

14.1 Fair value measurement (continued)

The table below classified financial assets at fair value through profit or loss by level of fair value hierarchy as at the end of the reporting period:

	Fair value measurements using			Total S\$'000
	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	
30 November 2022				
Financial Assets				
Financial assets at FVTPL				
- Quoted equity securities	7,797	-	-	7,797
- Unquoted equity securities	-	-	1,440	1,440
	<u>7,797</u>	<u>-</u>	<u>1,440</u>	<u>9,237</u>
31 May 2022				
Financial Assets				
Financial assets at FVTPL				
- Quoted equity securities	8,404	-	-	8,404
- Unquoted equity securities	-	-	1,640	1,640
	<u>8,404</u>	<u>-</u>	<u>1,640</u>	<u>10,044</u>

15. Derivative financial instruments

	Group		Company	
	30 November 2022 (Unaudited) S\$'000	31 May 2022 (Audited) S\$'000	30 November 2022 (Unaudited) S\$'000	31 May 2022 (Audited) S\$'000
Non-current assets				
Put option	585	302	585	302
Forward purchase contracts	940	940	1,488	1,436
	<u>1,525</u>	<u>1,242</u>	<u>2,073</u>	<u>1,738</u>
Non-current liabilities				
Options to re-purchase	(28)	(28)	(28)	(28)
	<u>1,497</u>	<u>1,214</u>	<u>2,045</u>	<u>1,710</u>

	Group		Company	
	30 November 2022 (Unaudited) S\$'000	31 May 2022 (Audited) S\$'000	30 November 2022 (Unaudited) S\$'000	31 May 2022 (Audited) S\$'000
Balance at beginning of financial period/year	1,214	1,214	1,710	2,322
Fair value gain recognised during the financial period/year	283	-	335	253
Derecognition of derivative financial instruments	-	-	-	(865)
Balance at end of financial period/year	<u>1,497</u>	<u>1,214</u>	<u>2,045</u>	<u>1,710</u>

E. Notes to the condensed interim consolidated financial statements (continued)

15. Derivative financial instruments (continued)

Put option

This pertains to JOES, whereby the non-controlling interest 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, the fair value of the put option has been determined using the Binomial Option Pricing model and a fair value gain of S\$283,000 was included in the consolidated statement of comprehensive income. The significant judgement and assumptions to the valuation include volatility rate and risk-free rate.

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:

- (i) The Company's further acquisition of the remaining 45% of issued and fully paid-up share capital of Medistar Services Pte. Ltd. ("**Medistar**") by 1 September 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 Medistar and 15% equity interest for a consideration of S\$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.
- (ii) The Company's further acquisition of the remaining 30% of issued and fully paid-up share capital of JOES.
- (iii) The Company's further acquisition of the remaining 49% of issued and fully paid-up share capital of GMH.

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. The significant judgement and assumptions to the valuations include estimated profit after tax for future years and risk-free rate.

Options to re-purchase

The option to re-purchase represents option granted to one (31 May 2022: one) non-controlling interest for the acquisition of LBPL (31 May 2022: 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.

E. Notes to the condensed interim consolidated financial statements (continued)

15. Derivative financial instruments (continued)

Options to re-purchase (continued)

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. The significant judgement and assumptions to the valuation include the volatility rate and risk-free rate.

16. Share capital

	Group and Company			
	30 November 2022	31 May 2022	30 November 2022	31 May 2022
	Number of ordinary shares			
	('000)		S\$'000	S\$'000
Issued and fully-paid:				
Balance at beginning and end of financial period/year	151,396	151,396	15,419	15,419

There have been no changes to the Company's share capital since the end of the previous period reported on, being 31 May 2022.

There were 2,503,400 treasury shares (representing 1.68% of the Company's 148,892,230 ordinary shares (excluding treasury shares)) as at 30 November 2022 and as at 30 November 2021.

There are no subsidiary holdings as at 30 November 2022 and 30 November 2021.

There were no outstanding convertibles as at 30 November 2022 and 30 November 2021.

16.1 Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

	As at 30 November 2022	As at 31 May 2022
Total number of issued shares	148,892,230	148,892,230

16.2 A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on

There were no sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

16.3 A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on

Not applicable. There were no subsidiary holdings during and as at the end of the current financial period reported on.

17. 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.

E. Notes to the condensed interim consolidated financial statements (continued)

18. Other reserve

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

19. Other financial liabilities

	Group	
	30 November 2022 (Unaudited) S\$'000	31 May 2022 (Audited) S\$'000
Present value at beginning of financial period/year	2,096	12,121
Unwinding interest expenses on other financial liabilities	97	374
Changes in estimated future cash flow on other financial liabilities	(551)	(2,217)
	(454)	(1,843)
Derecognition of other financial liabilities	-	(8,182)
Present value at end of financial period/year	1,642	2,096

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 (31 May 2022: GMH); and
- (ii) Remaining 30% of the issued and fully paid-up share capital of JOES (31 May 2022: JOES).

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.

The changes in estimated future cash flow and the unwinding interest expenses on other financial liabilities of approximately S\$551,000 and S\$97,000 (31 May 2022: S\$2,217,000 and S\$374,000) respectively are included in "other reserve" line item in the Group's equity.

The derecognition of other financial liabilities amounting to S\$8,182,000 was in respect of the exercise of the forward purchase contracts for JLES and MLCS for the financial year ended 31 May 2022.

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	
	30 November 2022 (Unaudited)	31 May 2022 (Audited)
Discount rate	9.4%	9.4%
Exercise price for forward purchase contracts	\$'000	\$'000
JOES on 31 May 2026 (31 May 2022: depends on SMC outcome)	8	175
GMH on 1 November 2024	1,919	2,350

E. Notes to the condensed interim consolidated financial statements (continued)

19. Other financial liabilities (continued)

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

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

20. Other payables

Other payables related to the outstanding purchase consideration for the acquisition of an additional 49.0% equity interest in JLES. During the current financial period, there was a change in the repayment period and part of the amount due was deferred by one year, hence resulting in a loss on modification of financial liability which was included in “other expenses” line item of the consolidated statement of comprehensive income.

21. Bank borrowings

	Group and Company	
	30 November 2022 (Unaudited) S\$'000	31 May 2022 (Audited) S\$'000
<u>Non-current</u> Unsecured	1,922	2,550
<u>Current</u> Unsecured	1,250	1,237

The Group and the Company had drawn down term loan amounted to S\$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% per annum. The term loan is subject to financial covenants imposed by the bank.

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

22. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

F. Other information required pursuant to Appendix 7C of the Catalyst Rules

1. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The condensed consolidated statement of financial position of HC Surgical Specialists Limited and its subsidiaries as at 30 November 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Review for the performance of the Group for the six months ended 30 November 2022 ("HY2023") as compared to the six months ended 30 November 2021 ("HY2022").

Revenue stayed relatively stable for HY2023 as compared to HY2022.

Other income decreased by S\$0.27 million due mainly to lower grants (including the Jobs Support Scheme and Rental Support Scheme) of S\$0.36 million, which was partially offset by gain on divestment of a financial asset at FVTPL of S\$0.12 million.

In HY2023, the fair value loss on financial assets at FVTPL of approximately S\$0.90 million was due to the decrease in share price of Medinex Limited ("**Medinex**") in which the Company holds a direct interest of 22.66% and a deemed interest of 9.39% of Medinex's total issued share capital. In HY2022, the fair value gain on financial assets at FVTPL of approximately S\$0.69 million arose primarily due to (i) the increase in share price of Medinex; (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; and (iii) fair value gain on Acumen.

Fair value gain on derivative financial instruments ("**DFI**") of approximately S\$0.28 million arose mainly due to the re-measurement of fair value for put option of a subsidiary.

Inventories, consumables and surgery expenses decreased by approximately S\$73,000, in line with the decrease in revenue.

Employee benefits expenses decreased by approximately S\$0.21 million due to lower provision of bonus for the current financial period.

Lease expenses decreased by S\$27,000 due to the cessation of operations of a clinic.

Other expenses increased by S\$0.93 million due to allowance for impairment loss on goodwill of S\$0.5 million; loss on modification of S\$0.32 million on the deferred consideration payable for the

acquisition of an additional 49.0% equity interest in JLES; and higher marketing expenses of S\$90,000 incurred for the current financial period.

Finance costs increased by approximately S\$0.19 million due to deemed interest expense on the deferred consideration payable for the acquisition of JLES.

As a result of the abovementioned, profit before income tax decreased by approximately S\$2.69 million or 48.8% in HY2023 as compared to HY2022. Profit after income tax decreased by approximately S\$2.67 million or 54.5% in HY2023 as compared to HY2022.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The comparative performance for both the assets and liabilities are based on the Group's financial statements as at 30 November 2022 and 31 May 2022.

Plant and equipment increased from approximately S\$1.50 million as at 31 May 2022 to S\$1.79 million as at 30 November 2022 due to additions of plant and equipment for new and existing clinics which was partially offset by depreciation, write off and disposal of plant and equipment.

Intangible assets comprise goodwill and computer software. The decrease in intangible assets from approximately S\$4.04 million as at 31 May 2022 to S\$3.54 million as at 30 November 2022 was primarily due to an allowance for impairment loss on goodwill of a subsidiary of S\$0.50 million.

Right-of-use (“**ROU**”) assets increased by approximately S\$0.34 million mainly due to recognition of ROU assets for new and existing clinics; partially offset by depreciation of ROU assets for the existing clinics.

Debt instruments at amortised cost of S\$1.88 million was reclassified from non-current assets to current assets, as it relates to bonds maturing in August 2023.

Financial assets at FVTPL decreased mainly due to fair value loss of S\$0.90 million, divestment of investment in Acumen of S\$0.17 million, capital reduction of S\$28,000 and disposal of investment of S\$1,000; which was partially offset by investment in Aoxin of S\$0.30 million.

DFI increased by approximately S\$0.28 million due to fair value gain that arose due to the re-measurement of fair value for put option of a subsidiary.

Trade and other receivables increased by approximately S\$0.32 million due to the dividend receivable from Medinex of S\$0.20 million in January 2023 and an increase in trade receivables outstanding from patients.

Prepayments increased by approximately S\$0.13 million mainly due to advance payment made for the audit of Data Protection Trust Mark Assessment.

Other reserve increased and other financial liabilities decreased by approximately S\$0.45 million due to the re-measurement of financial liabilities for forward purchase contracts of JOES and GMH.

Non-current other payables related to the outstanding purchase consideration for the acquisition of an additional 49.0% equity interest in JLES (“**JLES Acquisition**”). The decrease of approximately S\$3.68 million was due to the reclassification of the aforementioned purchase consideration to current liabilities.

Trade and other payables increased by approximately S\$1.99 million mainly due to outstanding

purchase consideration for JLES Acquisition reclassified from non-current other payables of S\$3.68 million and higher trade payables. This was partially offset by payments of S\$1.81 million for the JLES Acquisition made in HY2023, and lower provision of bonus for the current financial period.

Current and non-current lease liabilities increased by approximately S\$0.36 million due to new and renewal of leases entered for new and existing clinics; partially offset by repayments made in HY2023.

Current and non-current bank borrowings decreased by approximately S\$0.62 million due to repayments made in HY2023.

CONSOLIDATED STATEMENT OF CASH FLOWS

Review for the performance of the Group for HY2023 as compared to HY2022

The Group recorded net cash from operating activities of S\$3.46 million in HY2023 as compared to net cash from operating activities of S\$4.03 million in HY2022, due mainly to lower operating receipts.

Net cash used in investing activities in HY2023 of S\$20,000 was primarily due to the purchase of plant and equipment for new and existing clinics of S\$0.52 million; which was partially offset by the dividends and interest received of S\$0.46 million; and proceeds from capital reduction in financial assets at FVTPL and disposal of plant and equipment of an aggregate amount of S\$35,000. The net cash from investing activities in HY2022 was primarily due to the dividends and interest received of S\$0.40 million; which was partially offset by the purchase of plant and equipment for existing clinics of S\$0.17 million.

Net cash used in financing activities in HY2023 of S\$4.95 million was mainly related to (i) the JLES Acquisition of S\$1.81 million; (ii) the payment of final dividends of S\$1.79 million to shareholders for the financial year ended 31 May 2022; (iii) dividends paid to non-controlling interests of S\$55,000; (iv) repayment of bank borrowings of S\$0.62 million; and (v) repayments of obligations (including the interest portion) under leases of S\$0.65 million.

Overall, the Group recorded a net decrease in cash and cash equivalents of S\$1.51 million in HY2023, resulting in cash and cash equivalents of S\$5.42 million as at 30 November 2022.

3. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable as no forecast or a prospect statement has been disclosed previously.

4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months

In December 2022, the Group obtained its medical licence from the Ministry of Health for its new Siglap endoscopy centre located along East Coast Road, surrounded by commercial developments, private condominiums and landed homes. The Group believes that this new centre will serve the local population well by bringing its specialist service to their doorstep. The Group will continue to expand its network of specialists and centres, and look out for potential acquisitions to attain its long-term growth targets.

The recent months of interest rate hikes and fears of inflation have been a growing topic of concern.

To mitigate the increasing cost of doing business, the Group has restructured its operations, including closing its Anchorvale centre to focus on the newly opened Siglap centre; placing fixed deposits with banks to capitalise on the higher interest rates; and developing other cost-cutting measures while improving operational efficiencies.

5. Dividend

If a decision regarding dividend has been made: -

- (a) Whether an interim (final) dividend has been declared (recommended); and

Yes.

Name of Dividend	Interim
Dividend Type	Ordinary
Dividend Amount per Share (in S\$ cents)	1.00 cents per ordinary share (one tier tax exempt)
Tax Rate	Tax Exempt

- (b) (i) Amount per share

Please refer to paragraph 5(a)

- (ii) Previous corresponding period

Name of Dividend	Interim
Dividend Type	Ordinary
Dividend Amount per Share (in S\$ cents)	1.40 cents per ordinary share (one tier tax exempt)
Tax Rate	Tax Exempt

- (c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated.)

Please refer to paragraph 5(a).

- (d) The date the dividend is payable.

The dividend will be paid on 13 March 2023.

- (e) The date on which Registrable Transfers received by the Company (up to 5.00 p.m.) will be registered before entitlements to the dividend are determined.

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed at 5.00 p.m. on 2 March 2023 for the purpose of determining shareholders' entitlements to the interim dividends.

Duly completed registrable transfers received by the Company's Share Registrar, Tricor Singapore Pte. Ltd., 80 Robinson Road #02-00, Singapore 068898, up to the close of business at 5.00 p.m. on 2 March 2023, will be registered to determine shareholders' entitlements to the interim dividend.

Shareholders (being depositors) whose securities accounts with the Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 2 March 2023 will be entitled to the interim dividend.

6. Interested person transactions

The Group does not have a general mandate from shareholders for interested person transactions (“IPT”).

There were no IPTs of S\$100,000 and above entered into in HY2023.

7. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company confirms that it has procured undertakings from all of its directors and executive officers in the required format.

8. Negative Confirmation by the Board Pursuant to Rule 705(5) of the Catalist Rules

The Board of Directors of the Company confirms that, to the best of their knowledge, nothing has come to their attention which may render the unaudited interim financial statements for HY2023 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Dr. Heah Sieu Min
Executive Director and Chief Executive Officer

Dr. Chia Kok Hoong
Executive Director and Medical Director

Singapore
12 January 2023

About HC Surgical Specialists Limited

HC Surgical Specialists Limited (the "Company") was incorporated on 1 September 2015 in Singapore and listed on Catalist of the Singapore Exchange Securities Trading Limited on 3 November 2016. The Company, its subsidiaries and associated company are 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 16 clinics located throughout Singapore.

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

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

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.