

**Unaudited Financial Statements and Dividend Announcement
For the First Quarter and Three Months Ended 31 August 2019**

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3) AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		Change %
	31 Aug 2019 (Unaudited) S\$'000	3 months Ended 31 Aug 2018 (Unaudited) S\$'000	
Revenue	4,918	3,845	27.9%
<i>Other items of income</i>			
Other income	339	59	474.6%
<i>Items of expense</i>			
Changes in inventories	69	115	-40.0%
Inventories, consumables and surgery expenses	(576)	(549)	4.9%
Employee benefits expenses	(1,712)	(1,433)	19.5%
Depreciation and amortisation expenses	(281)	(98)	186.7%
Operating lease expenses	(71)	(256)	-72.3%
Other expenses	(859)	(381)	125.5%
Finance costs	(11)	(18)	-38.9%
Share of results of an associate, net of tax	-	46	N.M.
Profit before income tax	1,816	1,330	36.5%
Income tax expense	(312)	(215)	45.1%
Profit for the financial period, representing total comprehensive income for the financial period	1,504	1,115	34.9%
Profit and total comprehensive income attributable to:			
Owners of the parent	1,212	878	38.0%
Non-controlling interests	292	237	23.2%
	1,504	1,115	34.9%

N.M. – Not meaningful

1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

Profit for the financial period is stated after charging the following:	3 months Ended	
	31 Aug 2019 (Unaudited) S\$'000	31 Aug 2018 (Unaudited) S\$'000
Amortisation of intangible assets	3	3
Depreciation of property, plant and equipment	278	95
Loss on disposal of investment in a subsidiary	396	-

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	31 Aug 2019 (Unaudited) S\$'000	31 May 2019 (Audited) S\$'000	31 Aug 2019 (Unaudited) S\$'000	31 May 2019 (Audited) S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	2,771	1,099	557	47
Intangible assets	5,212	5,863	-	-
Investments in subsidiaries	-	-	5,512	6,218
Investment in associates	480	-	480	-
Investment in joint ventures	90	90	90	90
Debt instruments at amortised cost	2,000	2,000	2,000	2,000
Financial assets at FVTPL	9,376	9,211	9,376	9,211
Deferred tax assets	2	2	-	-
Derivative financial instruments	-	-	542	542
Advance payments	-	139	-	139
Other receivables	543	536	543	536
	20,474	18,940	19,100	18,783
Current assets				
Inventories	319	311	-	-
Trade and other receivables	2,348	2,148	2,967	2,309
Prepayments	191	186	48	68
Cash and bank balances	10,777	5,027	7,026	2,061
	13,635	7,672	10,041	4,438
Total assets	34,109	26,612	29,141	23,221
EQUITY AND LIABILITIES				
Equity				
Share capital	14,433	14,433	14,433	14,433
Treasury shares	(541)	(541)	(541)	(541)
Merger reserve	(815)	(815)	-	-
Capital reserve	(7)	(7)	(7)	(7)
Other reserve	(829)	(829)	-	-
Retained earnings	8,843	7,631	7,368	6,804
Equity attributable to owners of the parent	21,084	19,872	21,253	20,689
Non-controlling interests	516	410	-	-
Total equity	21,600	20,282	21,253	20,689

	Group		Company	
	31 Aug 2019 (Unaudited) S\$'000	31 May 2019 (Audited) S\$'000	31 Aug 2019 (Unaudited) S\$'000	31 May 2019 (Audited) S\$'000
Non-current liabilities				
Deferred tax liabilities	72	72	-	-
Derivative financial instruments	506	619	722	834
Other financial liabilities	829	829	-	-
Redeemable convertible loans	5,000	-	5,000	-
Lease liabilities	1,064	-	294	-
Provisions	103	123	21	21
	<u>7,574</u>	<u>1,643</u>	<u>6,037</u>	<u>855</u>
Current liabilities				
Trade and other payables	2,661	3,160	1,184	1,080
Lease liabilities	685	-	223	-
Bank borrowings	313	500	313	500
Current income tax payable	1,276	1,027	131	97
	<u>4,935</u>	<u>4,687</u>	<u>1,851</u>	<u>1,677</u>
Total liabilities	<u>12,509</u>	<u>6,330</u>	<u>7,888</u>	<u>2,532</u>
Total equity and liabilities	<u>34,109</u>	<u>26,612</u>	<u>29,141</u>	<u>23,221</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31 Aug 2019 (Unaudited)		As at 31 May 2019 (Audited)	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	5,313	-	500

Amount repayable after one year

As at 31 Aug 2019 (Unaudited)		As at 31 May 2019 (Audited)	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	-	-	-

Details of collaterals

Not applicable.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows

	3 months Ended	
	31 Aug 2019 (Unaudited) S\$'000	31 Aug 2018 (Unaudited) S\$'000
Operating activities		
Profit before income tax	1,816	1,330
Adjustments for:		
Amortisation of intangible assets	3	3
Depreciation of property, plant and equipment	278	95
Dividend income from financial assets at FVTPL	(253)	-
Loss on disposal of investment in a subsidiary	396	-
Interest income	(42)	(33)
Interest expense	11	18
Lease interest	18	-
Inventories written off	1	-
Plant and equipment written off	4	-
Share of results of an associate, net of tax	-	(46)
Operating cash flows before working capital changes	2,232	1,367
Working capital changes:		
Inventories	(75)	(115)
Trade and other receivables	(287)	176
Prepayments	(9)	(3)
Trade and other payables	(470)	(541)
Cash generated from operations	1,391	884
Income tax paid	(7)	(1)
Net cash from operating activities	1,384	883
Investing activities		
Acquisition of subsidiaries, net of cash acquired	-	(478)
Dividend received from financial assets at FVTPL	253	-
Interest received	35	33
Investment in an associate	(341)	-
Purchase of intangible assets	-	(4)
Purchase of plant and equipment	(29)	(18)
Net cash used in investing activities	(82)	(467)
Financing activities		
Dividends paid to non-controlling interests	(167)	(196)
Interest paid	(4)	(18)
Proceeds from redeemable convertible loan	5,000	-
Purchase of treasury shares	-	(201)
Repayment of bank borrowings	(187)	(187)
Repayment of lease liabilities	(194)	-
Net cash from/(used in) financing activities	4,448	(602)
Net change in cash and cash equivalents	5,750	(186)
Cash and cash equivalents at beginning of financial period	5,027	4,988
Cash and cash equivalents at end of financial period	10,777	4,802

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

**Consolidated Statement of Changes in Equity
Group**

(Unaudited)

	Share capital	Treasury shares	Merger reserve	Capital reserve	Other reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 June 2019	14,433	(541)	(815)	(7)	(829)	7,631	19,872	410	20,282
Profit for the financial period	-	-	-	-	-	1,212	1,212	292	1,504
Total comprehensive income for the financial period	-	-	-	-	-	1,212	1,212	292	1,504
Transactions with non-controlling interests									
Share of loss in disposal of investment in a subsidiary	-	-	-	-	-	-	-	(19)	(19)
Dividends	-	-	-	-	-	-	-	(167)	(167)
Total transactions with non-controlling interests	-	-	-	-	-	-	-	(186)	(186)
Balance at 31 August 2019	14,433	(541)	(815)	(7)	(829)	8,843	21,084	516	21,600

(Unaudited)

Balance at 1 June 2018	14,433	(321)	(815)	-	-	3,407	16,704	404	17,108
Profit for the financial period	-	-	-	-	-	878	878	237	1,115
Total comprehensive income for the financial period	-	-	-	-	-	878	878	237	1,115
Contributions by owners									
Issue of shares	-	206	-	(7)	-	-	199	-	199
Purchase of treasury shares	-	(201)	-	-	-	-	(201)	-	(201)
Total transactions with owners	-	5	-	(7)	-	-	(2)	-	(2)
Transactions with non-controlling interests									
Dividends	-	-	-	-	-	-	-	(196)	(196)
Total transactions with non-controlling interests	-	-	-	-	-	-	-	(196)	(196)
Balance at 31 August 2018	14,433	(316)	(815)	(7)	-	4,285	17,580	445	18,025

**Statement of Changes in Equity
Company**

(Unaudited)	Share capital S\$'000	Treasury shares S\$'000	Capital reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
Balance at 1 June 2019	14,433	(541)	(7)	6,804	20,689
Profit for the financial period	-	-	-	564	564
Total comprehensive income for the financial period	-	-	-	564	564
Balance at 31 August 2019	14,433	(541)	(7)	7,368	21,253
(Unaudited)					
Balance at 1 June 2018	14,433	(321)	-	2,674	16,786
Profit for the financial period	-	-	-	712	712
Total comprehensive income for the financial period	-	-	-	712	712
Contributions by and distributions to owners					
Issue of shares	-	206	(7)	-	199
Purchase of treasury shares	-	(201)	-	-	(201)
Total transactions with owners	-	5	(7)	-	(2)
Balance at 31 August 2018	14,433	(316)	(7)	3,386	17,496

1(d)(ii) Details of any changes in the company’s share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share Capital – Ordinary Shares

The Company’s issued and fully paid-up capital (excluding treasury shares) as at 31 August 2019 comprised 148,805,730 (31 May 2019: 148,805,730) ordinary shares. The Company did not issue any new shares during the first quarter ended 31 August 2019 (“1QFY2020”).

Outstanding Convertibles

The Company had issued S\$5,000,000 convertible bonds to Vanda 1 Investments Pte. Ltd. (“Vanda 1”) in 1QFY2020 of which are still outstanding as at 31 August 2019 (31 August 2018: S\$Nil).

In addition to the convertible bonds, there was an option granted to Vanda 1 to subscribe up to 8,064,516 new ordinary shares in the capital of the Company (“Option Shares”) for an aggregate consideration of S\$5,000,000 at the exercise price of S\$0.62 per Option Share.

Treasury Shares

There were 829,900 treasury shares (representing 0.56% of the Company’s 148,805,730 ordinary shares (excluding treasury shares)) as at 31 August 2019 and 459,900 treasury shares (representing 0.31% of the Company’s 149,175,730 ordinary shares (excluding treasury shares)) as at 31 August 2018.

Subsidiary Holdings

There were no subsidiary holdings as at 31 August 2019 and 31 August 2018.

1(d)(iii) To show the 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 31 August 2019	As at 31 May 2019
Total number of issued shares excluding treasury shares	148,805,730	148,805,730

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. There were no sales, transfers, cancellation and/or use of treasury shares during and as at the end of the current financial period reported on.

1(d)(v) 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.

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

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not applicable. The figures have not been audited or reviewed by the Company's auditors.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in paragraph 5 below, the accounting policies and methods of computation adopted in the financial statements for the reporting period are consistent with those disclosed in the most recently audited consolidated financial statements for the financial year ended 31 May 2019.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group and the Company have adopted the new SFRS(I) 16 *Leases* on 1 June 2019, using the modified retrospective approach in accordance with the transitional provisions, and therefore recognised leases on the statement of financial position as at 1 June 2019.

SFRS(I) 16 introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. It requires lessees to capitalise all leases on the statement of financial position by recognising a "right-of-use" asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets.

The Group and the Company have not restated comparatives for the previous reporting period as permitted under the specific transition provisions in SFRS(I) 16. The Group and the Company capitalised its operating leases on office premises and clinic spaces on the consolidated statement of financial position by recognising them as "right-of-use" assets of approximately S\$1,951,000 and their corresponding lease liabilities for the present value of future lease payments of approximately S\$1,918,000. Subsequently, the lease assets will be depreciated over the lease term on a straight-line basis and the lease liabilities will be measured at amortised cost.

Each lease payment is allocated between the 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 the remaining balance of the liability for each period.

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

Earnings per share ("EPS")	Group	
	First Quarter Ended	
	31-Aug-19 (Unaudited)	31-Aug-18 (Unaudited)
Profit attributable to owners of the parent (S\$)	1,212,000	878,000
Weighted average number of ordinary shares in issue	148,805,730 ⁽¹⁾	149,094,208 ⁽²⁾
Basic EPS (cents per share)	0.81	0.59
Fully diluted EPS (cents per share) ⁽³⁾	0.50	0.59

Notes:-

- (1) The weighted average number of ordinary shares in issue for the 1QFY2020 was computed based on 148,805,730 ordinary shares.
- (2) The weighted average number of ordinary shares in issue for the first quarter ended 31 August 2018 was computed based on 149,094,208 ordinary shares, adjusted for (i) purchase of 300,000 treasury shares; and (ii) transfer of 300,000 treasury shares to Dr. Jason Lim as satisfaction of the consideration for the acquisition of 51% of the equity interest in Jason Lim Endoscopy and Surgery Pte. Ltd. ("JLES").

Items (i) were purchased on 23 July 2018; and (ii) was transferred to Dr. Jason Lim on 17 August 2018.
- (3) The fully diluted EPS was adjusted for the impact from the convertible bonds as at 31 August 2019. The fully diluted EPS for the first quarter ended 31 August 2018 is the same as the basic EPS because the Company did not have any potentially dilutive ordinary shares during and as at the end of 31 August 2018.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the**
(a) Current period reported on; and
(b) Immediately preceding financial year

Net asset value ("NAV")	Group		Company	
	31-Aug-19 (Unaudited)	31-May-19 (Audited)	31-Aug-19 (Unaudited)	31-May-19 (Audited)
NAV (S\$)	21,084,000	19,872,000	21,253,000	20,689,000
Number of ordinary shares in issue	148,805,730	148,805,730	148,805,730	148,805,730
NAV per ordinary share (S\$ cents)	14.17	13.35	14.28	13.90

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss:-

- (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

Review for the performance of the Group for the first quarter ended 31 August 2019 ("1QFY2020") as compared to the first quarter ended 31 August 2018 ("1QFY2019").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The increase in revenue was mainly due to increased contributions from:-

- (i) new subsidiaries acquired during the previous financial year, which included JLES which commenced operations in August 2018 and Medical Services @ Tampines Pte. Ltd. where an additional 50% equity interest was acquired in September 2018; and
- (ii) increased revenue from existing subsidiaries.

Other income increased mainly due to dividend income from investment in financial assets at fair value through profit or loss ("FVTPL") of S\$253,000.

Employee benefits expenses increased due to increased headcount from existing and new subsidiaries acquired during the previous financial year; and higher accrual of bonus.

Depreciation and amortisation expenses increased and operating lease expenses decreased due to recognition of lease liabilities upon the adoption of SFRS(I) 16.

Other expenses increased mainly due to loss on disposal of investment in a subsidiary of S\$396,000.

Share of profits of an associate, net of tax, decreased due to a de-recognition of investment in Medinex Limited ("**Medinex**") in December 2018 upon Medinex's IPO.

As a result of the abovementioned, profit before income tax increased in 1QFY2020.

Income tax expense increased due to higher profit recorded in the current period compared to the corresponding period in the previous financial year.

As a result of the abovementioned, profit after income tax increased in 1QFY2020.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The comparative performance for both the assets and liabilities are based on the Group's financial statements as at 31 August 2019 and 31 August 2018.

Property, plant and equipment increased due to recognition of "right-of-use" assets in line with the adoption of SFRS(I) 16.

Intangible assets comprise goodwill and computer software. The decrease in intangible assets was primarily due to the decrease in goodwill of S\$649,000 from the disposal of investment in HMC Medical Pte. Ltd. ("**HMC**") in July 2019.

Investment in associates arose from the investment in Medistar Services Pte. Ltd. ("**Medistar**") of S\$480,000 in July 2019.

Current and non-current lease liabilities increased upon the adoption of SFRS(I) 16.

Trade and other payables decreased mainly due to payment of expenses such as bonus and audit fee during the current financial year.

Bank borrowings decreased due to repayments of short-term loan for working capital purpose.

CONSOLIDATED STATEMENT OF CASH FLOWS

The Group recorded net cash from operating activities of S\$1,384,000 in 1QFY2020 as compared to net cash from operating activities of S\$883,000 in 1QFY2019, due to higher operating receipts.

In 1QFY2020, net cash used in investing activities related to the investment in Medistar of S\$341,000. This was partially offset against dividend income from investment in Medinex of S\$253,000.

Net cash from financing activities in 1QFY2020 was related to the receipt from the issuance of a convertible bond of S\$5,000,000; offset against dividends paid to non-controlling interests of S\$167,000; repayments of bank borrowings of S\$187,000; and repayments of lease liabilities of S\$194,000.

Overall, the Group recorded a net increase in cash and cash equivalents of S\$5,750,000 in 1QFY2020.

9. 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.

- 10. 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 reporting period and the next 12 months.**

The Group expects the medical industry to remain challenging due to economic instability and market competition in the region which may affect the Group in the next reporting period and next 12 months. The Group will continue to look for opportunities and suitable partners in our expansion plans, in addition to the ongoing search for young talented specialists to join the Group to reinforce the Group's specialist supporting platform to support the next generation of specialists.

11. Dividend

If a decision regarding dividend has been made: -

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

No

- (b) Previous corresponding period (cents)

No

- (c) The date the dividend is payable.

Not applicable

- (d) The date on which Registrable Transfers receive by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended as the Group has just declared dividends for the financial year ended 31 May 2019.

13. If the group has obtained a general mandate from shareholders for interested person transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a general mandate from shareholders for interested person transactions.

There were no IPTs of S\$100,000 and above entered into in 1QFY2020.

14. Use of Proceeds from Convertible Bonds

The Company refers to the net cash proceeds amounting to S\$5 million received from the issuance of a convertible bond to Vanda 1 in August 2019.

As at the date of this announcement, the status on the use of net proceeds from the convertible bonds is as follows:

	<u>S\$'000</u>
Net proceeds	5,000
Amount utilised ⁽¹⁾	<u>(2,847)</u>
Balance	<u><u>2,153</u></u>

Notes:

(1) Utilised for the following:-

(a) acquisition of additional 19% stake in Julian Ong Endoscopy & Surgery Pte. Ltd. – S\$2,846,712.

The use of net proceeds is in accordance to its intended use as announced in the convertible bond announcement.

15. Confirmation that the issuer has procured undertakings 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.

16. Negative Confirmation by the Board Pursuant to Rule 705(5) of the Catalist Listing Manual

The Board of Directors of the Company confirms, to the best of their knowledge, that nothing has come to their attention which may render the unaudited financial results for the three months ended 31 August 2019 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Dr. Heah Sieu Min
Executive Director and Chief Executive Officer
8 October 2019

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 (the "**SGX-ST**") on 3 November 2016. The Company and its subsidiaries 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 15 clinics located throughout Singapore.

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

This announcement has not been examined or approved by the SGX-ST. 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 Ms. Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and Email: sponsorship@ppcf.com.sg).