



Growing Together,

Fulfilling Dreams

RafflesMedicalGroup

Annual Report 2006

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Mission

Our mission is to enhance health and well being by providing the best total healthcare.

Vision

Our vision is to be the leading lifetime partner for all your health needs.

Core Values

Compassion

We put you and your well being at the centre of all that we do. Treating all with respect, compassion and dignity.

Commitment

We will uphold your trust by maintaining the highest professional integrity and standards.

Excellence

We will continually seek advancement and innovation to achieve better healthcare.

Team-Based Care

We dedicate and combine our skills, knowledge and experience for your benefit.

Value

We seek always to create and deliver value for you.

Motto

"To Our Patients Our Best"

CORPORATE PROFILE



Founded in 1976 with two clinics, Raffles Medical Group (RMG) has grown over the years to become one of the largest integrated healthcare organisations in Singapore and the region today, serving over one million patients and 5,000 corporate clients. From basic complaints to chronic conditions and even severe illnesses requiring specialist treatment and complex surgery, RMG provides seamless, integrated care for all its patients.

RMG operates a network of 60 primary care clinics in Singapore and four in Hong Kong. The Group also manages the airport clinics in Singapore's Changi International Airport and Chek Lap Kok International Airport in Hong Kong.

RMG's flagship hospital, Raffles Hospital, is a 380-bed tertiary hospital. Located in the heart of

Singapore, the hospital offers a full complement of specialist and emergency services combined with advanced medical technology.

Growing along the healthcare value chain, the Group offers insurance and consumer healthcare. Its subsidiary, International Medical Insurer, is a specialist healthcare insurer and writes health insurance policies for both groups and individuals.

Raffles Health, its consumer healthcare arm, develops and distributes quality personal healthcare products in Singapore and the region.

RMG subscribes to the Institutional Group Practice Model. Through this model, specialists work as a team to provide patients the quality assurance of medical services that are integrated, peer reviewed and medically audited.

FINANCIAL HIGHLIGHTS

Highlights of 2006 Performance

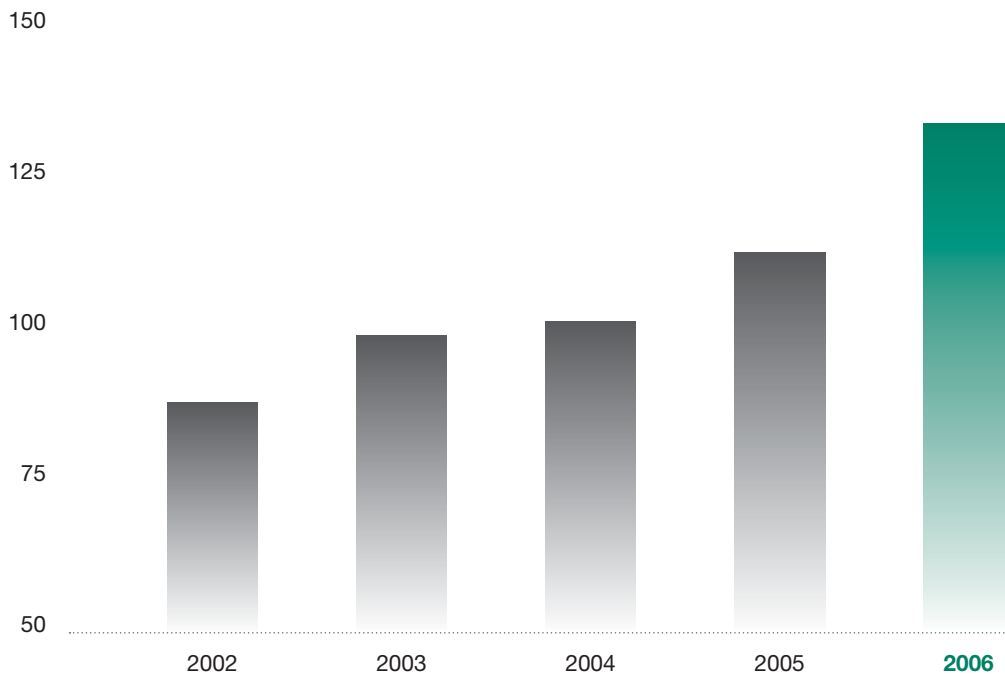
- Profit after tax grew 31.0% to S\$15.8 million
- Group achieved 18.9% growth in revenue to S\$134.2 million
- Revenue from Hospital Services division increased by 22.4%
- Revenue from Healthcare Services grew 15.5%
- Healthcare Service division acquired major corporate clients and secured significant contracts
- Raffles Hospital recruited more new specialists and opened new centres

5-YEAR FINANCIAL SUMMARY

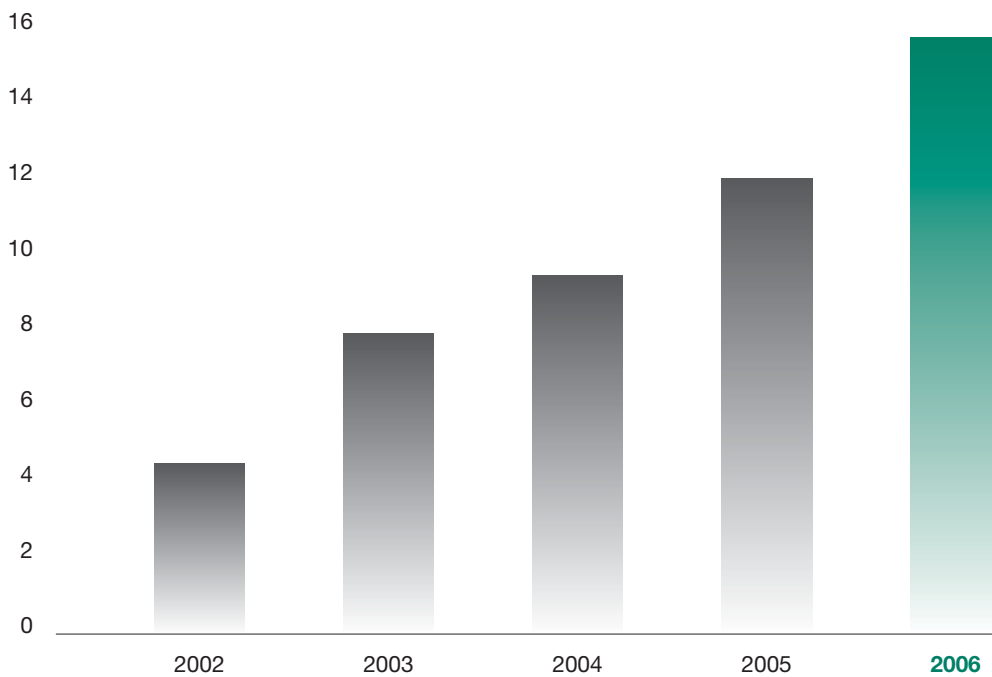
	2002 \$'000	2003* \$'000	2004* \$'000	2005 \$'000	2006 \$'000
Revenue	87,997	99,105	101,456	112,898	134,248
EBITDA	9,275	13,264	15,195	17,176	21,873
Operating Profit	6,275	9,813	11,323	13,502	19,210
Profit Before Tax	6,102	10,142	12,441	14,796	20,044
Profit After Tax	4,506	7,942	9,484	12,038	15,767
Diluted Earnings per Shares (cents)	1.17	2.05	2.41	2.96	3.78
Net Asset Value per Share (cents)	24.29	24.86	25.57	26.85	27.36
Return on Equity (%)	4.8	8.3	9.5	11.1	13.9

* Figures restated arising from the adoption of FRS 102 share-based payment.

Group Revenue (S\$ million)



Group Profit After Tax (S\$ million)



“Raffles Medical Group is our family doctor in every sense of the word. My whole family comes to Raffles and we have been patients here since the Group was started by Dr Loo and Dr Loh.

One doctor I will always remember is Dr Yang Ching Yu. When my son was first diagnosed with acute pancreatitis, Dr Yang not only provided a very detailed explanation of my son’s medical condition, he was also meticulous in his diagnosis and follow up.

We choose to stay on with Raffles Medical because we know they will take good care of us – for life.”

*Mr Toh Seng Sit
Chairman of Toh Seng Sit Construction Pte Ltd, 86 years old*






From left to right: Mr Toh Seng Sit, Mr Toh Soo Eng and Consultant General and Colorectal Surgeon Dr Yang Ching Yu.



From left to right: Mrs Irene Caddy, Consultant Physician in Internal Medicine & Geriatric Medicine Dr Teo Sek Khee and Mr Peter John Caddy.

A photograph of a middle-aged man with dark hair and glasses lying in a hospital bed. He is wearing a light blue hospital gown and is looking towards the camera with a slight smile. The bed has white pillows and a light blue sheet. The background shows a hospital room with a white wall and a wooden panel.

“A friend recommended me to Raffles in 1995 and I have remained a patient since because the Raffles team has always made me feel special. I’ve been under the care of Dr Teo Sek Khee for 10 years. He is not just my doctor but my friend, someone my wife and I have come to respect and rely on.

Some time ago, I complained of breathing difficulties. My wife called Dr Teo who advised that I be admitted immediately. When we arrived at the hospital, we were so relieved to see Dr Teo waiting at the ambulance bay together with Consultant Cardiologist Dr Ng Wai Lin. That’s great initiative!

Dr Teo’s responsiveness has earned our trust. Even though we are now staying in Switzerland, Raffles Hospital is where we will always come for our medical treatment.”

Mr Peter John Caddy
Businessman, 67 years old

CHAIRMAN'S MESSAGE

Dear Shareholders

The Past 30 Years

Raffles Medical Group was founded in 1976, 30 years ago. Since our humble beginnings with two clinics in the commercial district of Singapore in 1976, we have grown into the fully integrated healthcare organisation that we are today, with 60 clinics and a 380-bed hospital providing primary, secondary and tertiary healthcare to one million patients and more than 5,000 corporate clients in Singapore.

We have just celebrated our 30th anniversary last year. This year marks the beginning of the next 30 years for Raffles Medical Group.

A Robust Growth

We ended Year 2006 on an emphatic note.

Group revenue grew 18.9 per cent, from \$112.9 million in 2005 to \$134.2 million in 2006. Profit after tax for the Group grew by 31.0 per cent to reach a record \$15.8 million.

All divisions contributed positively to the growth of the Group with revenue from Hospital Services division increasing by 22.4 per cent whilst Healthcare Services grew by 15.5 per cent.

A steady increase in the number of specialists joining Raffles Hospital gives greater depth to clinical sub-specialties.

Shared Vision; Shared Values

For us to continue on our growth path, we must ensure that our vision and core values are preserved. We must also strengthen and reinforce key institutions of the Group – principles and

practices that have helped us achieve so much through the years.

One of the institutions that we hold dear is the Group Practice model.

The Group Practice works on the premise that we work as a group to take care of all our patients, treating each one of them as individuals with special and specific needs.

The Group Practice allows us to institutionalise good medical practice and professional development.

It leverages on the different strengths of the members of the team to serve the varied healthcare needs of corporate clients and patients. Most importantly, it enables us to implement group accountability through rigorous peer review and medical audit.

Over the years, like-minded people have joined us; physicians, nurses and healthcare managers who wanted to pool their talents, skills, learning and experience for the benefit of their patients.

Physicians who joined the Group have become converts, firm believers and later proponents and leaders of the Raffles Group Practice.

Our doctors do what is right and honourable, exercising good judgement and responsibility in the care of our patients.

To Our Patients Our Best

Another important tenet of Raffles Medical Group is our commitment to our patients, embodied in our simple corporate motto "To Our Patients Our Best".

Significant Milestones 1976 – 2006

→ 1976

Partners Dr Loo Choon Yong and Dr Alfred Loh took over Teng's Clinics at Cecil Street and Maxwell House, and operated the practice under the name Drs Teng & Partners on 1 August.

→ 1980

The Cecil Street clinic was relocated to Tuan Sing Tower and the name of the practice was changed to Raffles Medical Group, adopting the name from Dr Loo and Dr Loh's alma mater – Raffles Institution.



For our patients, we want to be there with them for their health needs through each stage of their lives.

For our corporate clients, we want to be a partner for all times that provides complete solutions for their employee health needs as their corporation grow in size and complexity.

I am gratified to see that as we deliver on our promise, patients are turning to us more and more as trusted partners. We have generations of patients who have stayed with Raffles Medical Group from day one in 1976. We see new patients every day. And these new patients soon become regular patients who bring their whole family to us because they have come to trust us. We repay such loyalty and faith with only one promise – that we will give them our very best.

A Vote of Thanks

We are grateful to the many people who helped us along the way, and we will need the support and assistance of even more people as we take the next lap.

I would like to thank our Board of Directors over the years for their wise counsel and guidance.

I would like to express my gratitude to my management team, physicians, and all the staff of Raffles Medical Group. Without their hard work and the team spirit, we would not have come as far as we have.

I also wish to record our sincere appreciation to all our patients and corporate clients for trusting us and giving us their unwavering support.

We thank our shareholders and investors for sharing our vision as we pursue long term goals.

A New Horizon

Looking to the future, we will grow beyond Singapore and bring our brand of healthcare to more communities and more people.

Within the next decade, we plan to expand regionally on a broad front covering clinics, hospital, health insurance, consumer health, and healthcare consultancy.

We have taken the first step towards the next 30 years.

As we embark on the next lap of this journey, I'm heartened to know that we have a team of dedicated doctors, nurses and healthcare managers who share the same vision, values, and most importantly, the same great passion to care and to serve.

Dr Loo Choon Yong
Executive Chairman

→ **1982**

Raffles Medical Group established its flagship clinic in Straits Trading Building in the commercial centre in Raffles Place.

→ **1990**

Raffles Medical Group was appointed in June to be the exclusive medical provider for Changi International Airport operating clinics in Passenger Terminals 1 and 2 and the Cargo Complex.

→ **1990**

Raffles Denticare established. First clinic opened at Terminal 2.

BOARD OF DIRECTORS

Dr Loo Choon Yong

Executive Chairman and Co-Founder

Dr Loo co-founded the Raffles Medical Group in 1976 and is currently the Executive Chairman of the Group. He is Singapore's Ambassador to the Italian Republic and was reappointed as a Nominated Member of Parliament in January 2007.

Dr Loo is a director of several companies, including International Medical Insurers Pte Ltd, Raffles Hospital Pte Ltd and CapitaLand-Raffles Properties Pte Ltd. He is also the Chairman of Sentosa Development Corporation Ltd.

In the area of social and community service, Dr Loo is currently the Chairman of National Council Against Drug Abuse (NCADA) and Council Member to the North East Community Development Council (CDC).

He is a member of the Board of Trustees for the Singapore Management University (SMU), and he chairs the Advisory Board of the Lee Kong Chian School of Business. He is also a member of the Board of Trustees for the Chinese Development Assistance Council (CDAC) and the Board of Governors for Raffles Junior College. He is also the Chairman of the Asian Medical Foundation Ltd.

Dr Loo also read Law at the University of London and is a member of Middle Temple.

Dr Loo was awarded the Public Service Medal in 2003 and the Distinguished Service Award in September 2005 from the Ministry of Home Affairs for contribution to Singapore's fight against drug abuse.

Dr David McKinnon Lawrence

Independent Director

Dr David McKinnon Lawrence currently serves on the boards of Agilent Technologies, Dynavax Technologies Corporation, McKesson Corporation and the RAND Health Advisory Board, among others. He also serves in advisory roles to the biotechnology industry.

Dr Lawrence is the Retired Chairman and Chief Executive Officer of Kaiser Foundation Health Plan, Inc. and Kaiser Foundation Hospitals, in the United States.

He joined the Board on 25 July 1997.

Mr Tan Soo Nan

Independent Director

Mr Tan Soo Nan is the Chief Executive Officer of Singapore Pools (Private) Limited, a wholly owned subsidiary of Singapore Totalisator Board. Mr Tan is also concurrently the Chief Executive of Singapore Totalisator Board.

He is also a Member of the Income Tax Board of Review, Goods and Services Tax Board of Review, and Council Member of the Football Association of Singapore. Mr Tan also serves on the board of several companies. Mr Tan was formerly the Chief Executive Officer of Temasek Capital (Private) Limited and Senior Managing Director of DBS Bank and has over 29 years of experience in the banking industry.

He joined the Board on 28 July 2000.

→ 1992

Raffles Diagnostica was set up to provide laboratory and radiology services to complement the Group's medical services.

→ 1993

Raffles SurgiCentre opened on 18 September at No.182 Clemenceau Avenue as the first standalone day surgery centre in Southeast Asia.

→ 1994

Raffles Medical Group's flagship clinic in Straits Trading Building was moved to Caltex House.



From left to right: Professor Lim Pin, Mr Tan Soo Nan, Dr Loo Choon Yong, Associate Professor Wee Beng Geok and Dr David McKinnon Lawrence.

Associate Professor Wee Beng Geok

Independent Director

Dr Wee Beng Geok is Associate Professor at the Nanyang Business School, Nanyang Technological University (NTU), as well as Director of the Asian Business Case Centre at the University. She is also a faculty instructor in the Nanyang MBA programme where she teaches Organisational Behavior and Human Capital Management courses. She holds a PhD in Management Systems and Sciences from the University of Hull; a Master in Business Administration from Cranfield Institute of Technology, and a Bachelor of Business Administration from the University of Singapore.

She has worked both in the corporate sector and academia. She was a faculty member at the School of Electrical and Electronics Engineering, NTU from 1987 to 1994 and has held management positions in various companies over the last 30 years.

She joined the Board on 27 November 2000.

Professor Lim Pin

Independent Director

Professor Lim Pin is Professor of Medicine at National University of Singapore (NUS) and Senior Consultant Endocrinologist at the National University Hospital. He was the former Vice Chancellor of NUS from 1981 to 2000, and is its first University Professor – the University's highest academic appointment conferred in 2000, in recognition of his work and achievements.

Professor Lim chairs the National Wages Council, Tropical Marine Science Institute Management Board and the Bioethics Advisory Committee.

He joined the Board on 19 February 2001.

→ 1995

Raffles Medical Group opened its first overseas clinic in Hong Kong at the Lane Crawford Building on Queen's Road in December.

→ 1996

Raffles Medical Group started its managed care programme – RafflesCare – under an exempt insurance licence from the Monetary Authority of Singapore.

→ 1997

Raffles Medical Group acquired medical group – Drs Oram & Partners – which provided a platform for expansion of its Hong Kong practice in January.

SENIOR MANAGEMENT



Dr Loo Choon Yong
Executive Chairman,
Raffles Medical Group



Dr Wilson Wong
Medical Director,
Raffles Medical Clinics



Prof Walter Tan
Medical Director,
Raffles Hospital



Dr Yang Ching Yu
Deputy Medical Director,
Raffles Hospital



Dr Prem Kumar Nair
General Manager,
Business Development,
Raffles Medical Group



Mrs Hilda Yap
General Manager,
Raffles Medical Clinics



Mr Lawrence Lim
General Manager,
Raffles Hospital



Dr Yii Hee Seng
General Manager,
International Medical Insurers

→ 1997

On 11 April, Raffles Medical Group became the first full-fledged healthcare provider to go public in Singapore when it got listed on SESDAQ, the second board of the Stock Exchange of Singapore.

→ 1998

Raffles Medical Group was appointed exclusive medical provider for Hong Kong's new Chek Lap Kok Airport.

→ 2000

Raffles Medical Group set up first Representative Office in Jakarta.



Mrs Kimmy Goh
Group Financial Controller,
Raffles Medical Group



Dr Colin Quek
Chief Information Officer,
Raffles Medical Group



Ms Annie Pang
Director,
Ambulatory Operations,
Raffles Hospital



Mdm Tan Lay Geok
Director,
Inpatient Operations,
Raffles Hospital



Mr Bala Krishnan
Director,
Healthcare Consultancy,
Raffles Hospital



Mr Wee Jee Kin
Deputy Director,
Corporate Affairs
& Company Secretary,
Raffles Medical Group



Ms Catherine Cheng
Deputy Director,
Human Resource,
Raffles Medical Group



Mr Chan Wing Tai
Deputy Director,
Raffles Health

→ **2000**

Raffles Medical Group was appointed to provide medical services to the departments under the Ministry of Home Affairs – the Singapore Police Force, Central Narcotics Bureau and Prisons Department.

→ **2000**

Raffles Medical Group's listing was transferred to the Main Board of the Singapore Stock Exchange on 10 July.

→ **2001**

Raffles Hospital commences operations on 31 March. The first inpatients of Raffles Hospital were seven patients transferred from the SurgiCentre.

SENIOR MANAGEMENT



Dr Kenneth Wu
Deputy Director,
Raffles Medical Clinics



Dr Chng Shih Kiat
Deputy Director,
Raffles Medical Clinics



Dr Choo Shiao Hoe
Deputy Director,
Raffles Medical Clinics



Dr Hoo Kai Meng
Deputy Director,
Raffles Medical Clinics



Dr Saw Chit Aung
Deputy Director,
Hospital Marketing,
Raffles Hospital



Mr Lee Chee Kiat
Deputy Director,
Business Development,
Raffles Medical Group



Ms Loke Mei Choo
Deputy Director,
Raffles Medical Clinics



Ms Tan Siew Hoon
Deputy Director,
Raffles Medical Clinics

→ 2001

The first Raffles baby was born at 7.20 pm, 19 July. She was delivered by Consultant Obstetrician Dr Joan Thong Pao Wen.

→ 2002

Raffles Hospital was officially opened by then Deputy Prime Minister Mr Lee Hsien Loong on 16 March.

→ 2002

Raffles Medical Group's humanitarian arm – The Medical Foundation – was set up to serve the community.



Operations Review

Matthew Furss, 3 years old, a patient of Raffles Children's Centre.

OPERATIONS REVIEW



Dr Loo Choon Yong conducting his quarterly review with Mrs Hilda Yap (General Manager, Raffles Medical Clinics), Ms Tan Siew Hoon (Deputy Director), Mrs Kimmy Goh (Group Financial Controller) and Dr Wilson Wong (Medical Director, Raffles Medical Clinics).

Record Revenue; Record Profits

Raffles Medical Group ended 2006 on a confident note, with stellar results from its key operating units.

Boosted by high patient volumes and improved operating efficiencies, the Group experienced a healthy 18.9 per cent growth in revenue from \$112.9 million in 2005 to \$134.2 million in 2006.

Profit after tax for the Group grew by 31.0 per cent to attain a record \$15.8 million.

All divisions contributed positively to the growth of the Group with revenue from Hospital Services division increasing by 22.4 per cent whilst Healthcare Services grew by 15.5 per cent.

International Medical Insurers – the Group's healthcare insurance specialist – has secured a firm client base and is now a familiar name in the corporate health insurance sector.

New Corporate Clients; Major Contracts

2006 was a good year for the Healthcare Service division as it acquired new corporate clients and secured significant contracts.

Raffles Medical has been appointed to provide medical care to several major government bodies and large multinationals.

Raffles' vast experience in running large-scale medical operations gave it the edge it needed to be reappointed to provide checkpoint screening

→ 2002

First open heart surgery was successfully performed in June.

→ 2002

Raffles Medical Group achieves Group wide ISO 9001:2000 certification in October.

→ 2002

RMG's flagship clinic at Caltex House moved to OUB Centre in December.



Raffles DiabetesCare took off in October 2006 while the chronic care programmes for hypertension and hyperlipidaemia were started in January 2007.

at Changi International Airport in the event of a flu pandemic.

In December 2006, Raffles Medical was awarded a major contract by the Ministry of Home Affairs to continue to provide medical services to departments under the Ministry, which includes the Singapore Prison Service, Singapore Police Force, Internal Security Department and Central Narcotics Bureau.

The \$84.5 million contract – which runs for a 8-year renewable period – was extended to cover not only general, medical and dental services but also specialist outpatient and psychiatric rehabilitation services.

This is the second consecutive term that Raffles Medical has been awarded this contract – the first being a contract in 2000 for a 5-year period.

Within the next year, Raffles Medical will concentrate on strengthening its existing competencies, as the clinic network aims not only to serve patients with acute conditions but to manage patients with chronic illnesses like diabetes, hypertension and hyperlipidaemia.

The recent extension of Medisave to cover the treatment of chronic illnesses at the outpatient level provides an opportunity for medical groups to extend integrated disease management programmes to patients.

The Ministry of Health expects \$250 million to be withdrawn annually for these outpatient treatments. With the largest chain of clinics in Singapore, Raffles Medical is poised to enjoy a larger share of the market and also better economies of scale in implementing this scheme.



Senior Staff Nurse Jane Lai preparing the flu vaccine. Raffles Medical was reappointed to provide checkpoint screening at Changi International Airport in the event of a flu pandemic.

→ **2003**

Raffles Japanese Clinic was set up on 15 January to serve our Japanese clientele.

→ **2003**

Raffles Medical Group was appointed to provide temperature screening at all checkpoints during the SARS period.

→ **2003**

Raffles Health was launched in March to develop and distribute quality personal healthcare products. Among its earliest products was the SARS Protect kit.

OPERATIONS REVIEW

Raffles Hospital Grows in Breadth and Depth

Patient visits and admissions in Raffles Hospital achieved double digit growth in 2006.

The growth has been achieved through an increase in the number of staff specialists joining the hospital in 2006, and extension of sub-specialty services. On the demand side, growth in patient numbers is fuelled by strong marketing initiatives both locally and internationally. Underlying the growth in patient volume has been a change in the case mix towards a higher level of complexity of diagnoses and acuity in the types of treatments sought in Raffles Hospital. These have resulted in an increase in the utilisation of higher intensity, and higher value services.

In 2006, Raffles Hospital increased its pool of medical staff with the addition of more specialists in various disciplines including endocrinology, developmental paediatrics, gastroenterology, obstetrics and gynaecology, ophthalmology, pathology, and urology.

The growth in the number of Raffles specialists lent greater depth to its clinical sub-specialties, adding to the strength of the multi-disciplinary approach to the care of our patients. Developments within the specialties generate a range of new services, complementing the services already available to our patients.

Obstetrics and Gynaecology, for example, expanded its foetal screening and infertility services. Gastroenterology intensified its services with the introduction of new treatments for Hepatitis B and C, Irritable Bowel Syndrome and Gastritis. Endocrinology developed specialist programmes for diabetes and hyperlipidaemia, and Cardiology for hypertension in support of the Ministry of Health's programme for integrated disease management.

Raffles Women's Centre opened in March 2006 a new satellite clinic in Causeway Point in the north, adding to its existing network of four other clinics in the east, city, and central. This effectively makes Raffles Women's Centre the largest private women's centre in Singapore.

With more doctors and a dentist on board, Raffles Japanese Clinic now provides antenatal care, gastroscopy and colonoscopy, and dental services.



The number of babies delivered in Raffles Hospital achieved a new high with a growth of 19 per cent.

→ 2003

Epic separation surgery of Iranian twins Laleh and Ladan Bijani was carried out in July.

→ 2003

In July, the Korean twins Ji Hye and Sa Rang were successfully separated.

→ 2003

Launch of Health@Work – a health management consultancy service for corporate clients wishing to implement employee health programmes in the workplace.



Ms Seah Ai Wei, TCM practitioner, shows patient Ms Kerry Koenig where pressure points are located.

Following the successful opening of the Raffles Japanese Clinic in Raffles Hospital, a satellite clinic was opened in June 2006 in Liang Court, a shopping centre popular with the Japanese community.

Raffles Chinese Medicine was set up on 1 April 2006 and offers treatment for a variety of conditions using acupuncture, acupressure and Chinese medicine.

Eight months after its opening, the clinic has expanded into a 2-unit centre and has recruited new Chinese physicians. It aims to work closely with the specialist centres to provide complementary treatment for medical conditions such as back pain, fertility, asthma, migraine and cancer.

As the volume of outpatient grew, inpatient numbers at Raffles Hospital also climbed steadily.

Admissions at Raffles Hospital continued to grow in 2006 over the previous year, with a significant rise in patients admitted for more complex diagnoses requiring a higher level of expertise and intensity of care.

Admissions in 2006 to the High Dependency and Intensive Care Units increased 54 per cent. The number of babies delivered in 2006 was a 19 per cent jump from the year before and close to 60 per cent increase from when the hospital first started its labour ward in 2002.

In addition to the complexity of cases, there was an increase in demand among patients for the suites and single rooms. To cater to the needs of both local and international patients who choose to recuperate in style and comfort, Raffles Hospital introduced its exclusive Regency Wing in late 2006.

→ 2004

RMG set up Representative Office in Dhaka, Bangladesh in June.

→ 2004

The first living donor renal transplant was successfully performed on a Korean businessman on 13 September.

→ 2004

Acupuncture service was introduced for outpatients in November, and extended to inpatients in April 2005.

OPERATIONS REVIEW

The wing comprises plush and spacious suites and deluxe rooms to cater to patients who prefer a more luxurious ambience, privacy and enhanced facilities. The suites include a family room, day bed, bar and refrigerator.

The Raffles and Victoria suites offer 24-hour private nursing services.

Growing the International Patient Pie

In 2006, Raffles Hospital continued to expand its international patient pie. International patients comprise a third of all hospital attendances in 2006, with patients from more than 100 countries.

Overall, the hospital saw an overall increase in both local and international patients. Marketing

efforts were strengthened with consolidation of local, international, and insurance client services under Hospital Marketing.

2006 saw a growth in local marketing activities with myriad new service offerings, and collaboration with affinity partners, clubs and associations, and foreign embassies located in Singapore.

International marketing continued on its momentum. Collaboration with international insurance companies contributed positively to the utilisation of Raffles Hospital's services.

Raffles Hospital continues to organise medical travel for international patients seeking medical services in Singapore, and is recognised as a key player in this role.



Patients will be pampered at the newly furnished Regency Wing.

→ 2004

Raffles Medical Group's humanitarian arm, renamed Asian Medical Foundation, sent its first relief mission to Aceh on 26 December to assist in the 2004 Boxing Day Asian tsunami crisis.

→ 2005

Raffles Hospital grew as an international patients hub with a third of the hospital's patients being foreigners, comprising nationals from more than a hundred countries.

→ 2004

International Medical Insurers was issued a full insurance licence by the Monetary Authority of Singapore in November.



Staff Nurse Huang Shuting attending to Russian patient Ms Marina Fursa.

Improvements in economic climate of regional countries also resulted in more international patients seeking treatment at Raffles Hospital.

In addition to the traditional regional countries like Indonesia and Malaysia whose numbers have risen in the past year, patients from new markets like Vietnam, Mongolia and Russia are being seen in increasing numbers at Raffles Hospital.

Healthcare Insurance Specialist

International Medical Insurers (IMI), the Group's insurance business division, has grown from strength to strength since its inception in 2005.

The corporate client base has expanded exponentially, with the number of members crossing the 60,000 mark in 2006.

IMI was granted a life insurance licence by the Monetary Authority of Singapore in March 2006 and has since been converted to a life insurance company.

With a life licence, IMI now provides long-term health insurance, including portable medical health plans and group term life insurance for corporate clients.



IMI is now a full-fledged life insurance company offering long-term health insurance to individuals and groups.

→ 2006

Raffles Chinese Medicine opens on 1 April to offer services in herbal medicine, acupressure, and acupuncture.

→ 2006

Patient Liason Office in Ho Chih Minh City in Vietnam was set up on 1 February.

→ 2006

Raffles Medical Group commemorates its 30th anniversary on 29 July.

OPERATIONS REVIEW



Raffles hopes to serve more patients in more communities within the next few years.

Raffles Health Makes Regional Inroads

Raffles Health – the Group's consumer healthcare unit – has made steady inroads into Indonesia and Hong Kong.

Sales in Indonesia started in April 2006 with two Raffles Health products and more products were introduced in the last quarter of the year.

Sales in Hong Kong started in June 2006 with two products. More are being registered and made available in 2007.

Developing Our People

Raffles Medical Group attained the People Developer Standard (PDS) on 31 January 2007. The PDS certification signifies the commitment of the Group towards development of its people. Through the PDS, Raffles Medical Group has in place a structured system that helps build critical skills – service, management and clinical – that will support business and professional growth going into the future.

The PDS also gives impetus to the Group's commitment to the development of teaching as an important component of its mission. Provision of clinical education and training is a fundamental basis for the adoption of the Group Practice Model. Teaching, together with patient service and research, forms the three arms of the mission of the Group. Raffles Medical Group today provides clinical training and education for doctors, nurses, managers and other healthcare personnel from Singapore as well as the region. This is expected to grow in the future.

The Next 30 Years

As Raffles grows as a Group, it will adopt an international orientation – to tap the regional markets, to be the medical centre of choice for high-end foreign patients, and export the Singapore brand of healthcare.

To this end, the Group will actively explore opportunities to grow its healthcare business in Singapore, the region and beyond.

Within the next few years, the Group will continue to set up more representative offices and appoint more associates overseas to serve its international clientele.

A presence in more countries overseas will enable the Group to grow the stream of referral of foreign patients.

Business development activities are in full swing as the Group explores investment co-ownership opportunities in regional hospitals and medical centres in key cities of China. It also plans to set up consultancy services in the Middle East.

In the years to come, the Group will continue to expand as an integrated healthcare organisation, offering quality and compassionate healthcare to more people in more communities.

CORPORATE INFORMATION

RafflesMedicalGroup

BOARD OF DIRECTORS

Dr Loo Choon Yong
Executive Chairman

Dr David McKinnon Lawrence

Mr Tan Soo Nan

Associate Professor Wee Beng Geok

Professor Lim Pin

BOARD AUDIT COMMITTEE

Mr Tan Soo Nan
Chairman

Associate Professor Wee Beng Geok

Dr Loo Choon Yong

Professor Lim Pin

BOARD NOMINATION AND COMPENSATION COMMITTEE

Associate Professor Wee Beng Geok
Chairman

Professor Lim Pin

Dr Loo Choon Yong

REGISTERED/CORPORATE OFFICE

585 North Bridge Road
Raffles Hospital #11-00
Singapore 188770

COMPANY SECRETARY

Mr Wee Jee Kin

SHARE REGISTRAR

M & C Services Private Limited

138 Robinson Road #17-00

The Corporate Office

Singapore 068906

AUDITORS

KPMG

Certified Public Accountants

16 Raffles Quay #22-00

Hong Leong Building

Singapore 048581

Partner-in-Charge: Ms Tan Yee Peng

(Year of Appointment: 2005)

PRINCIPAL BANKERS

DBS Bank Ltd

United Overseas Bank Limited

Overseas-Chinese Banking

Corporation Limited



The Specialist Healthcare Insurer

BOARD OF DIRECTORS

Dr Loo Choon Yong

Mr Tan Soo Nan

Mr Ngiam Tong Dow

Mr Koh Kian Chew

COMPANY SECRETARY

Mr Moiz Tyebally

AUDITORS

KPMG

Certified Public Accountants

16 Raffles Quay #22-00

Hong Leong Building

Singapore 048581

Partner-in-Charge: Mr Venkat Iyer

(Year of Appointment: 2005)

PRINCIPAL BANKER

United Overseas Bank Limited

PROFESSIONAL GOVERNANCE

RafflesHospital

Board of Directors

Dr Loo Choon Yong (*Chairman*)
Dr Alfred Loh
Dr Wilson Wong

Advisory Board

Professor Walter Tan (*Chairman*)
Ms Jeannie Chua
Mrs Jacqueline Loo
Dr Yang Ching Yu
Dr Alfred Loh
Dr Wilson Wong
Mr Low Teo Ping
Mr Lock Sai Hung

Medical Advisory Board

Professor Walter Tan (*Chairman*)
Professor Edward Tock
Dr J J Murugasu
Dr Tan Yew Ghee
Dr Teo Sek Khee
Dr Thong Pao-Wen
Dr Yang Ching Yu
Dr Yeong Kuan Yuen
Dr Yii Hee Seng
Mr Lawrence Lim

Credentials Committee

Dr Yang Ching Yu (*Chairman*)
Dr Khoo Chong Yew
Dr S Krishnamoorthy
Mr Lawrence Lim
Professor Walter Tan (*Ex Officio*)

Quality Committee

Dr Alfred Loh (*Chairman*)
Mr Lawrence Lim (*Co-Chairman*)
Dr J J Murugasu
Ms Annie Pang
Ms Catherine Cheng
Ms Tan Lay Geok
Professor Walter Tan (*Ex Officio*)
Dr Wilson Wong (*Ex Officio*)

Medical Audit Committee

Dr Chan Choong Chee (*Chairman*)
Dr Teo Sek Khee
Dr Ng Wai Lin
Dr Veronica Toh
Dr Alfred Loh (*Ex Officio*)
Professor Lim Yean Leng (*Advisor*)
Ms Kartini Sameejan (*Secretary*)

Surgical Audit Committee

Dr J J Murugasu (*Chairman*)
Professor Edward Tock (*Co-Chairman*)
Dr Yang Ching Yu
Dr Chan Choong Chee
Dr Lee I Wuen
Dr Eric Teh
Dr Tan Yew Ghee
Dr S Krishnamoorthy
Dr Law Ngai Moh
Professor Walter Tan (*Ex Officio*)
Dr Alfred Loh (*Ex Officio*)
Ms Kartini Sameejan (*Secretary*)

Ethics Committee

Dr J J Murugasu (*Chairman*)
Professor Edward Tock
Dr Alfred Loh
Dr Chew Chin Hin
Mr Richard Lim

Pharmacy & Therapeutics Committee

Dr Yang Ching Yu (*Chairman*)
Dr Law Ngai Moh (*Co-Chairman*)
Dr Teo Sek Khee
Dr Yii Hee Seng
Ms Lai Swee Lin (*Secretary*)

Infection Control Committee

Dr Teo Sek Khee (*Chairman*)
Ms Kartini Sameejan (*Secretary*)
Ms Sri Kartini Binte Mohd Kassim
Ms Zaiton Bte Abu Bakar
Ms Tham Meng Kew
Ms Josephine Koh
Ms Low Wai Harn
Ms Ong Suat Kien
Ms Shirley Tay
Ms Kelly Ho

Operating Theatre Committee

Dr Eric Teh (*Chairman*)
Professor Walter Tan
Dr Stephen Lee
Dr Thong Pao-Wen
Dr Yang Ching Yu
Dr S Krishnamoorthy
Dr Koh Ghim Hwee
Dr Tan Yew Ghee
Dr Lee I Wuen
Dr Aw Chong Yin
Dr Ng Bee Lim
Dr Peter Goh
Dr Haridas G Baladas
Dr Lim Lian Arn
Dr David Wong
Dr Karolyn Goh
Dr Cordelia Han
Dr Watt Wing Fong
Ms Tan Lay Geok
Ms Yeang Lye Siang
Ms Teo Poh Lin

Blood Transfusion & Tissue Review Committee

Dr S Krishnamoorthy (*Chairman*)
Dr Eric Teh (*Co-Chairman*)
Dr Koh Gim Hwee
Dr Sathiaseelan Sivanathan
Dr Jean Ho
Ms Nur Dianah Awaludin
Ms Pang Yen Yin
Mr Seow Ser Hoe (*Secretary*)

Patient Records Review Committee

Dr Aw Chong Yin (*Chairman*)
Dr Koh Gim Hwee
Ms Tan Siew Hoon
Ms Tan Lay Geok
Ms Lee Lee Boon
Ms Nur Dianah Awaludin (*Secretary*)

ICU Committee

Dr Chan Choong Chee (*Chairman*)
Dr Ng Wai Lin
Dr Yang Ching Yu
Dr Alex Lee
Dr Gabriel Cheong
Ms Jackie Heng (*Secretary*)

RafflesMedical

Medical Board

Dr Wilson Wong (*Chairman*)
Dr Yii Hee Seng
Dr Kenneth Wu
Dr Hoo Kai Meng
Dr Chin Min Kwong
Dr Chng Shih Kiat
Dr Choo Shiao Hoe
Dr Kang Aik Kiang

Pharmaceutical and Therapeutics Committee

Dr Hoo Kai Meng (*Chairman*)
Dr Lily Lin
Dr Angeline Chua
Dr Chong Siew Yun

CORPORATE GOVERNANCE

Corporate Governance Statement

The Directors and Management of Raffles Medical Group (RMG) are committed to comply with the Code of Corporate Governance (Code) issued by the Corporate Governance Committee in 2005 so as to ensure greater transparency and protection of shareholders' interests. This statement outlines the main corporate governance practices that were in place throughout the financial year. The Company has generally complied with the principles of the Code.

The Board's Conduct of its Affairs

RMG's Board of Directors' (the Board) primary role is to protect and enhance long-term value of all RMG's shareholders. It sets the overall strategy for the Group and supervises Senior Management. To fulfil this role, the Board is responsible for the overall corporate governance of the Group including setting its strategic and entrepreneurial direction, establishing goals for Management and monitoring the achievement of these goals. The Board currently holds four scheduled meetings each year. In addition, the Directors meet to discuss strategy and hold extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise. We have disclosed the attendance of the Directors at Board Meetings and Board Committees, as well as the frequency of such meetings in this Report.

The Board has decided that certain matters must always be approved by the Board. These include:

- approval of quarterly results announcements;
- approval of the annual accounts;
- declaration of interim dividends and proposal of final dividends;
- convening of Shareholders' Meetings;
- approval of corporate strategy and direction of the Group;
- material acquisition or disposal;
- approval of transactions involving a conflict of interest for a substantial shareholder or a Director or interested person transactions; and
- appointment of new Directors

All other matters are delegated to Committees whose actions are reported to and monitored by the Board.

Training of Directors

All new Directors are given briefing sessions on the operations of all the key businesses and support units. Prior to their appointment, new Directors are provided with relevant information on their duties as Directors under Singapore law. Directors are also updated regularly on accounting and regulatory changes.

Directors may at any time request further explanation, briefing or informal discussion on any aspects of the Company's operations.

Board Composition and Balance

The names of the Directors of the Company in office at the date of this Statement are set out below.

The Board has reviewed its composition and is satisfied that such composition is appropriate. The Board constantly examines its size with a view to determine the impact upon its effectiveness.

CORPORATE GOVERNANCE (CONT'D)

Board Composition and Balance (Cont'd)

As at the date of this Report, RMG's Board comprises five suitably qualified members:

Name of Directors	Date of Appointment	Nature of Appointment	Prime Function	Other Functions	Academic and Qualifications
Dr Loo Choon Yong Age: 58	16/8/1989	Executive/ Non-independent	Chairman	Member of Nomination & Compensation Committee and Audit Committee	MBBS (S'pore), MCFP (S'pore), Dip. Cardiac Medicine (London), LLB (Hons) London, Barrister (Middle Temple)
Mr Tan Soo Nan Age: 59	28/7/2000	Non-executive/ Independent	Member	Chairman of Audit Committee	Bachelor of Business Admin (Hons), Associate of The Chartered Institute of Bankers Chief Executive Officer of Singapore Pools (Pte) Ltd
Professor Lim Pin Age: 71	19/2/2001	Non-executive/ Independent	Member	Member of Nomination & Compensation Committee and Audit Committee	MBBChir (Cambridge), MA (Cambridge), MRCP (London), MD (Cambridge), FAM, FRCP (London), FRACP, FRCPE, FACP Professor of Medicine at National University of Singapore and Senior Consultant Endocrinologist at National University Hospital
Associate Professor Wee Beng Geok Age: 59	27/11/2000	Non-executive/ Independent	Member	Chairman of Audit Committee and Member of Nomination & Compensation Committee	PhD in Management Systems & Sciences (Hull), MBA (Cranfield Institute of Technology), BBA (S'pore) Associate Professor at Nanyang Business School, Nanyang Technological University
Dr David McKinnon Lawrence Age: 67	25/7/1997	Non-executive/ Independent	Member	–	BA degree (Amherst College), MD (University of Kentucky), MPH (University of Washington)

Particulars of interests of Directors who held office at the end of the financial year in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Directors' Report.

Independent Members of the Board

Four of the five members of the Board are Independent Directors. They are: Dr David McKinnon Lawrence, Mr Tan Soo Nan, Professor Lim Pin and Associate Professor Wee Beng Geok. The criterion of independence is based on the definition given in the Code. The Board considers an "Independent" Director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement.

As Non-executive members of the Board, the Independent Directors exercise no management functions in the Company or any of its subsidiaries. Although all the Directors have equal responsibility for the performance of the Group, the role of the Non-executive Directors is particularly important in ensuring that the strategies proposed by the Executive Management are fully discussed and rigorously examined and take account of the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business.

CORPORATE GOVERNANCE (CONT'D)

Independent Members of the Board (Cont'd)

The Board considers its Non-executive Directors to be of sufficient calibre and number and their views to be of sufficient weight that no individual or small group can dominate the Board's decision-making processes. The Non-executive Directors have no financial or contractual interests in the Group other than by way of their fees, shareholdings and participation in the Group Stock Option Scheme as set out in the Directors' Report. The Company's Articles of Association require all Directors to submit themselves for re-election at least once every three years at the Company's Annual General Meeting.

Chairman and Chief Executive Officer (Executive Chairman)

It is the view of the Board that notwithstanding the relevant provisions of the Code of Corporate Governance 2005, it is in the best interests of the Group to adopt a single leadership structure i.e. where the Chief Executive Officer and Chairman of the Board is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

The Executive Chairman is Dr Loo Choon Yong who is responsible for the day-to-day running of the Group as well as the exercise of control over the quality, quantity and timelines of information flow between Management and the Board. He has played an instrumental role in developing the business of the Group and has also provided the Group with vision and strong leadership.

All major decisions by the Executive Chairman are reviewed by the Audit Committee. His performance and remuneration is reviewed periodically by the Nomination & Compensation Committee. Both the Audit and Nomination & Compensation Committees comprise mainly of Independent Directors of the Group. As such, the Board believes that there are adequate safeguards in place against having a concentration of power and authority in a single individual.

Criteria for Board Membership

Board Members are selected for their character, judgment, business experience and acumen. Where a Director has multiple board representations, the Nomination & Compensation Committee will evaluate whether or not a Director is able to and has been adequately carrying out his or her duties as Director of the Company. Final approval of a candidate is determined by the full Board. In appointing Directors, RMG's Board considers the range of skills and experience required in the light of:

- the geographical spread and diversity of the Group's businesses;
- the strategic direction and progress of the Group;
- the current composition of the Board; and
- the need for independence.

Board Performance

Informal reviews of the Board's collective performance are conducted periodically and on a regular basis by the Nomination & Compensation Committee, with inputs from the other Directors and the Executive Chairman. Such performance criteria includes comparisons with its industry peers. The Board considers that it would be more appropriate in the first phase of its appraisal process to focus on collective Board performance and defer individual assessment to a later stage.

The Board is also of the view that the financial indicators set out in the Code as guides for the evaluation of Directors are more of a measure of Management's performance and less applicable to Directors. The Board therefore believes that its performance should be judged on the basis of accountability as a whole, rather than strict definitive financial performance criteria.

CORPORATE GOVERNANCE (CONT'D)

Access to Information

Directors receive a regular supply of information from Management about the Group so that they are equipped to play as full a part as possible in Board Meetings. Detailed Board papers are prepared for each meeting of the Board. The Board papers include sufficient information from Management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board Meetings.

All Directors have unrestricted access to the Company's records and information and receive detailed financial and operational reports from Senior Management during the year to enable them to carry out their duties. Directors also liaise with Senior Management as required, and may consult with other employees and seek additional information on request.

In addition, Directors have separate and independent access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring the established procedures and relevant statutes and regulations are complied with. The Company Secretary attends all Board Meetings.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Remuneration Matters

The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate Managers and Directors.

The Nomination & Compensation Committee determines the remuneration packages for the Executive Chairman and Senior Management based on the performance of the Group and the individual. The Executive Chairman does not participate in meetings to discuss his compensation package. The performance of Non-executive Directors is reviewed by the Executive Chairman on an ongoing basis.

Details of remuneration paid to the Directors are set out below:

Remuneration band	Number of Directors	
	2006	2005
S\$500,000 and above	1	1
S\$250,000 to below S\$500,000	–	–
Below S\$250,000	4	4
	<u>5</u>	<u>5</u>

CORPORATE GOVERNANCE (CONT'D)

Remuneration Matters (Cont'd)

Summary compensation table for the year ended 31 December 2006 (Group):

Name of Directors	Salary ⁽¹⁾ %	Bonus ⁽²⁾ %	Directors' fees %	Total Compensation %	Share Options Grants ⁽³⁾	Exercise Price	Date of Expiry
S\$500,000 and above							
Dr Loo Choon Yong Executive Chairman	23	77	–	100	–	–	–
Below S\$250,000							
Dr David McKinnon Lawrence Non-executive	–	–	100	100	100,000	\$0.78	02/04/11
Mr Tan Soo Nan Non-executive	–	–	100	100	150,000	\$0.78	02/04/11
Associate Professor Wee Beng Geok Non-executive	–	–	100	100	100,000	\$0.78	02/04/11
Professor Lim Pin Non-executive	–	–	100	100	100,000	\$0.78	02/04/11

⁽¹⁾ The salary amount shown is inclusive of allowances, CPF, all fees other than Directors' fees and other emoluments.

⁽²⁾ The bonus amount shown is inclusive of CPF.

⁽³⁾ Relates to options granted during the year by the Company.

Key Executives' Remuneration

The Code requires the remuneration of at least the top five key Executives who are not also Directors to be disclosed within bands of S\$250,000. The Company believes that disclosure of the remuneration of individual Executives who may also be clinicians is disadvantageous to its business interests, given the highly competitive industry conditions, where poaching of Executives has become commonplace in a liberalised environment. There are no employees in the Group who are immediate family members of a Director or the CEO.

Accountability and Audit

In presenting the annual financial statements and quarterly announcement to shareholders, the Board aims to provide shareholders with a balanced and comprehensive assessment of the Group's position and prospects. Management currently provides the Board with appropriate details and management accounts of the Group's performance, position and prospects on a quarterly basis.

Board Committees

To assist the Board in the execution of its duties, the Board has delegated specific functions to the following Committees:

- (a) Nomination & Compensation Committee
- (b) Audit Committee

CORPORATE GOVERNANCE (CONT'D)

Nomination & Compensation Committee

This Committee was established in July 2001 and is chaired by Associate Professor Wee Beng Geok with the Executive Chairman, Dr Loo Choon Yong, and Professor Lim Pin as members. The Committee, in consultation with the Executive Chairman, is responsible for the implementation and administration of the Employees' Share Option Scheme as well as reviewing the appointment and compensation of Senior Management staff. Members of the Committee who are eligible are not involved in deliberations in respect to any options to be granted to them.

It is the view of the Board that notwithstanding the relevant provisions of the Code of Corporate Governance 2005, it is in the best interest of the Company to have the Executive Chairman Dr Loo Choon Yong sitting on the Nomination and Compensation Committee. The Board believes that Dr Loo Choon Yong's long experience in the healthcare industry and input is necessary to enable the Company to adequately compensate key executives and clinicians in the competitive healthcare industry. There is no prospect of conflict as the Executive Chairman has opted not to participate in the Employees' Share Option Scheme. Furthermore, the Committee, comprising of 2 other independent non-executive directors, has also reviewed the compensation of the Executive Chairman to ensure that he is appropriately rewarded, giving due regard to the financial and commercial health and business needs of the Group.

Audit Committee

The Audit Committee, chaired by Mr Tan Soo Nan, an Independent Director, meets periodically with the Group's external auditors and its Senior Management to review accounting, auditing and financial reporting matters so as to ensure that an effective control environment is maintained in the Group. The Audit Committee also monitors proposed changes in accounting policies and discusses the accounting implications of major transactions. In addition, the Committee advises the Board regarding the adequacy of the Group's internal controls and the contents and presentation of its preliminary, interim and annual reports.

Specifically, the Audit Committee:

- reviews the audit plans, functions and scope of audit examination of the external auditors and approves the audit plans of the internal auditors;
- recommends to the Board the appointment and re-appointment of external auditors;
- approves the remuneration of the external auditors, and to review the scope and result of the audit and its cost effectiveness;
- evaluates the overall effectiveness of both the internal and the external audits through regular meetings with each group of auditors;
- reviews the adequacy of the internal audit function;
- determines that no restrictions are being placed by Management upon the work of the internal and external auditors;
- evaluates the adequacy of the internal control systems of the Group by reviewing written reports from the internal and external auditors, and Management's responses and actions to correct any deficiencies;
- evaluates adherence to the Group's administrative, operating and internal accounting controls;
- reviews the annual and interim financial statements and announcements to shareholders before submission to the Board for adoption;
- reviews interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST")) to ensure that they are on normal commercial terms and not prejudicial to the interests of the Company or its shareholders;
- reviews non-audit services provided by the external auditors to establish their independence;
- expands the duties of the Audit Committee to include reviewing and ensuring the integrity of the financial statements of the Company. Reviewing the effectiveness of the Company's internal audit function and making recommendations to the Board on engaging the external auditors;
- discusses with the external auditors any suspected fraud or irregularity or failure of internal controls or suspected infringement of any Singapore or other applicable law, rule and regulation; and
- is authorised to put in place measures to ensure that staff have the means to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation and appropriate follow-up action;
- considers other matters as requested by the Board.

CORPORATE GOVERNANCE (CONT'D)

Audit Committee (Cont'd)

The Audit Committee is authorised to investigate any matter within its terms of reference, and has full access to Management and also full discretion to invite any Director or Executive Officer to attend its meetings, as well as reasonable resources to enable it to discharge its function properly. The Audit Committee meets with the external auditors without the presence of Management, at least once a year.

Internal Controls

The Board acknowledges that it is responsible for the overall internal control framework. It recognises that no internal control system is foolproof as the system is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can therefore provide only reasonable and not absolute assurance against material misstatement or loss. The Directors regularly review the effectiveness of all internal controls, including operational controls.

The Board assesses risks and evaluates them as part of an integral part of the annual strategic planning cycle. Having identified the risks to achievement of their strategic objectives, each business unit in the Company is required to document the management and mitigating actions in place and proposed in respect of each significant risk.

Internal Audit

The Group set up an in-house internal audit function in 2003. The internal audit unit promotes internal controls in the Group and monitors the performance and application of internal procedures. The internal auditor is expected to meet or exceed the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The internal audit unit assesses the risks affecting the Group in its activities and in all its entities so that they can be identified, analysed and sufficiently hedged. The Group's internal audit function has a formal charter approved by the Board in early 2004 which describes its purpose, authority and responsibility. It supports the Directors in assessing key internal controls through a structured review programme.

The internal auditor reports primarily to the Chairman of the Audit Committee, Mr Tan Soo Nan. The Audit Committee will ensure that the internal auditor has adequate resources and has appropriate standing within the Group. The Committee will assess the effectiveness of the internal auditor on an annual basis by examining:

- the scope of the internal auditor's work;
- the quality of the auditor's reports;
- the auditor's relationship with external auditors; and
- the auditor's independence of the areas reviewed.

Dealings in Securities

In line with the recommendation of the SGX-ST Best Practices Guide, the Group requires all Directors and Management not to trade in the Company's securities during the period beginning two weeks and a month before the date of the announcement of the quarterly and full year results respectively and ending on the date of the announcement of the relevant results.

The Directors and Management are not expected to deal in the Company's securities on considerations of a short term nature. They are required to observe insider trading provisions under the Securities Industries Act at all times even when dealing in the Company's securities within the permitted periods. Directors of the Company are required to report all dealings to the Company Secretary.

CORPORATE GOVERNANCE (CONT'D)

Communication with Shareholders

In line with continuous disclosure obligations of the Company, pursuant to the SGX-ST's Listing Rules and the Singapore Companies Act, the Board's policy is that RMG's shareholders are informed of all major developments that impact the Group.

Information is communicated to shareholders on a timely basis. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable. Communication is made through:

- annual reports that are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual report includes all relevant information about the Group, including future developments and other disclosures required by the Companies Act and Singapore Financial Reporting Standards;
- financial statements containing a summary of the financial information and affairs of the Group for the period;
- notices of and explanatory memoranda for Annual General Meetings and Extraordinary General Meetings;
- press and analyst briefings for the Group's quarterly and annual results as well as other briefings, as appropriate;
- press releases on major developments of the Group;
- disclosures to the SGX-ST; and
- the Group's website at <http://www.rafflesmedical.com> at which shareholders can access information on the Group. The website provides, inter alia, corporate announcements, press releases, annual reports, and a profile of the Group.

In addition, shareholders are encouraged to attend the Annual General Meeting to ensure a high level of accountability and to stay informed of the Group's strategy and goals. The Annual General Meeting is the principal forum for dialogue with shareholders.

The notice of the Annual General Meeting is despatched to shareholders, together with explanatory notes or a circular on items of special business, at least 14 working days before the meeting. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the Annual General Meeting. The Chairmen of the Audit and the Nomination & Compensation Committees are normally available at the meeting to answer those questions relating to the work of these Committees.

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

The Company counts all proxy votes and the Chairman will inform shareholders of the level of the proxies lodged on each resolution. The votes for and against each resolution are given following the show of hands for that resolution.

Material Contracts

There are no material contracts entered into by the Company or any of its subsidiaries involving the interests of the CEO or any Director.

Attendance at Board and Board Committee Meetings

The table below sets out the attendances at meetings of the Board and Board Committees convened in the course of the year under review:

Name of Directors	Board		Audit Committee		Nomination & Compensation Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Dr Loo Choon Yong	4	4	4	4	1	1
Mr Tan Soo Nan	4	4	4	4	–	–
Associate Professor Wee Beng Geok	4	4	4	4	1	1
Dr David McKinnon Lawrence	4	4	–	–	–	–
Professor Lim Pin	4	4	4	4	1	1

Financial Report

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RafflesMedicalGroup

DIRECTORS' REPORT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2006.

Directors

The directors in office at the date of this report are as follows:

Dr Loo Choon Yong
 Dr David McKinnon Lawrence
 Professor Lim Pin
 Mr Tan Soo Nan
 Associate Professor Wee Beng Geok

Directors' Interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in a related corporation are as follows:

	Holdings in the name of the director, spouse or infant children		Other holdings in which the director is deemed to have an interest	
	At beginning of the year	At end of the year	At beginning of the year	At end of the year
The Company				
	Ordinary Shares (of \$0.10 each at beginning of the year)			
Dr Loo Choon Yong	32,281,999	48,281,999	221,907,000	205,907,000
Dr David McKinnon Lawrence	256,000	316,000	–	–
Mr Tan Soo Nan	50,000	200,000	–	–
Associate Professor Wee Beng Geok	30,000	330,000	–	–

Options to subscribe for Ordinary Shares (of \$0.10 each at beginning of the year)

	At beginning of the year	At end of the year	Option Price Per Share	Date of Grant
The Company				
Dr David McKinnon Lawrence	250,000	–	\$0.430	15/2/2001
	200,000	200,000	\$0.330	8/4/2002
	200,000	200,000	\$0.285	31/3/2003
	100,000	100,000	\$0.420	1/4/2004
	100,000	100,000	\$0.510	1/4/2005
	–	100,000	\$0.780	3/4/2006
Professor Lim Pin	200,000	–	\$0.285	31/3/2003
	100,000	100,000	\$0.420	1/4/2004
	100,000	100,000	\$0.510	1/4/2005
	–	100,000	\$0.780	3/4/2006

DIRECTORS' REPORT (CONT'D)

Directors' Interests (Cont'd)

The Company	Options to subscribe for Ordinary Shares (of \$0.10 each at beginning of the year)			
	At beginning of the year	At end of the year	Option Price Per Share	Date of Grant
Mr Tan Soo Nan	150,000	–	\$0.430	15/2/2001
	250,000	250,000	\$0.330	8/4/2002
	200,000	200,000	\$0.285	31/3/2003
	100,000	100,000	\$0.420	1/4/2004
	100,000	100,000	\$0.510	1/4/2005
	–	150,000	\$0.780	3/4/2006
Associate Professor Wee Beng Geok	100,000	–	\$0.430	15/2/2001
	250,000	250,000	\$0.330	8/4/2002
	200,000	–	\$0.285	31/3/2003
	100,000	100,000	\$0.420	1/4/2004
	100,000	100,000	\$0.510	1/4/2005
	–	100,000	\$0.780	3/4/2006
	Holdings in the name of the director, spouse or infant children		Other holdings in which the director is deemed to have an interest	
Immediate Holding Company	At beginning of the year	At end of the year	At beginning of the year	At end of the year
Raffles Medical Holdings Pte Ltd	Ordinary Shares (of \$1.00 each at beginning of the year)			
Dr Loo Choon Yong	100,000	100,000	–	–

The options in the Company are exercisable as follows:

- (i) the options granted in 2001 are exercisable during a period commencing 12 months from the Date of Grant for up to 200,000 shares and 24 months from the Date of Grant for the balance and expires at the end of 60 months from the Date of Grant.
- (ii) the options granted in 2002 are exercisable during a period commencing 12 months from the Date of Grant for the first 100,000 shares, 24 months from the Date of Grant for the next 100,000 shares and the balance after 36 months and expires at the end of 60 months from the Date of Grant.
- (iii) the options granted in 2003 are exercisable during a period commencing 12 months from the Date of Grant for the first 100,000 shares, 24 months from the Date of Grant for the next 100,000 shares and the balance after 36 months and expires at the end of 60 months from the Date of Grant.
- (iv) the options granted in 2004 are exercisable during a period commencing 12 months from the Date of Grant for the first 100,000 shares, 24 months from the Date of Grant for the next 100,000 shares and the balance after 36 months and expires at the end of 60 months from the Date of Grant.
- (v) the options granted in 2005 are exercisable during a period commencing 12 months from the Date of Grant for the first 50,000 shares, 24 months from the Date of Grant for the next 50,000 shares and the balance after 36 months and expires at the end of 60 months from the Date of Grant.

DIRECTORS' REPORT (CONT'D)

Directors' Interests (Cont'd)

- (vi) the options granted in 2006 are exercisable during a period commencing 12 months from the Date of Grant for the first 50,000 shares, 24 months from the Date of Grant for the next 50,000 shares and the balance after 36 months and expires at the end of 60 months from the Date of Grant.

By virtue of Section 7 of the Act, Dr Loo Choon Yong is deemed to have an interest in all of the wholly-owned subsidiaries of Raffles Medical Group Ltd at the beginning and at the end of the financial year.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2007.

Except as disclosed under the "Share Options" section of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares, debentures, warrants or share options of the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Notes 18 and 24 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share Options

Employees' Share Option Scheme

- (1) On 31 October 2000, the shareholders of the Company approved the Raffles Medical Group (2000) Share Option Scheme (RMG 2000 Scheme) at the Extraordinary General Meeting. Details of the RMG 2000 Scheme were set out in the Directors' Report for the financial year ended 31 December 2000.
- (2) Both the RMG 1997 Scheme (in respect of the administration of any exercise of options already granted thereafter prior to its termination in October 2000) and the RMG 2000 Scheme are administered by the Nomination and Compensation Committee (Committee) comprising the following directors:

Associate Professor Wee Beng Geok
Dr Loo Choon Yong
Professor Lim Pin

Dr Loo Choon Yong is not a participant in the schemes.

- (3) On 3 April 2006, additional options were granted pursuant to the RMG 2000 Scheme to subscribe for ordinary shares at an exercise price of \$0.78 as follows:

	Company
Directors of the Company and Executive Directors of the subsidiaries	1,930,000
Full-time employees	5,914,000
	<u>7,844,000</u>

DIRECTORS' REPORT (CONT'D)

Share Options (Cont'd)

Employees' Share Option Scheme (Cont'd)

- (4) As at 31 December 2006, outstanding options to take up unissued ordinary shares in the Company under the RMG 2000 Scheme were as follows:

Date of grant of options	Exercise price per share	Options outstanding at 1 January 2006	Options granted/reinstated	Options exercised	Options forfeited/expired	Options outstanding at 31 December 2006	Number of option holders at 31 December 2006
15/2/2001	\$0.430	6,979,000	–	(3,747,000)	(26,000)	3,206,000	61
8/4/2002	\$0.330	5,948,000	80,000	(2,815,000)	(11,000)	3,202,000	54
31/3/2003	\$0.285	3,383,000	50,000	(1,663,000)	(16,000)	1,754,000	49
1/4/2004	\$0.420	5,335,000	–	(2,195,000)	(20,000)	3,120,000	95
1/4/2005	\$0.510	7,048,000	–	(1,777,000)	(294,000)	4,977,000	146
3/4/2006	\$0.780	–	7,844,000	–	(865,000)	6,979,000	274
		28,693,000	7,974,000	(12,197,000)	(1,232,000)	23,238,000	

- (5) No options have been granted to controlling shareholders of the Company and their associated companies and parent group employees. No participant has received 5% or more of the total number of options available under the Schemes.

- (6) The following are details of options granted to Directors:

Name of participant	Options granted for financial year ended 31 December 2006	Aggregate options granted since commencement of Scheme to 31 December 2006	Aggregate options exercised since commencement of Scheme to 31 December 2006	Aggregate options outstanding as at 31 December 2006
Directors of the Company				
Dr David McKinnon Lawrence	100,000	950,000	250,000	700,000
Professor Lim Pin	100,000	720,000	420,000	300,000
Mr Tan Soo Nan	150,000	950,000	150,000	800,000
Associate Professor Wee Beng Geok	100,000	850,000	300,000	550,000
Total	450,000	3,470,000	1,120,000	2,350,000

- (7) Statutory information regarding the above options is as follows:

- (a) *RMG 2000 Scheme*

Options are exercisable in whole or in part:

- (i) in relation to shares for which the subscription price is determined on market value, a period commencing on such date in respect of such proportion of the option amount as the Committee may prescribe (but which shall in any event be no earlier than the date immediately after the first anniversary of the Date of Grant) and ending on the date immediately before the tenth anniversary of such Date of Grant for an employee and ending on the date immediately before the fifth anniversary of such Date of Grant for a non-employee; and

DIRECTORS' REPORT (CONT'D)

Share Options (Cont'd)

Employees' Share Option Scheme (Cont'd)

- (ii) in relation to shares for which the subscription price is determined at a discount to market value, a period commencing on such date in respect of such proportion of the option amount as the Committee may prescribe (but which shall in any event be no earlier than the date immediately after the second anniversary of the Date of Grant) and ending on the date immediately before the tenth anniversary of such Date of Grant for an employee and ending on the date immediately before the fifth anniversary of such Date of Grant for a non-employee.
- (b) The number of shares which may be acquired by a participant and the exercise price are subject to adjustment, as confirmed by the auditors of the Company that such adjustment is fair and reasonable, by reason of any issue of additional shares in the Company by way of rights or capitalisation of profits or reserves made which an option remains unexercised.
- (8) Save as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.
- (9) The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any other company.

Audit Committee

The members of the Audit Committee during the year and at the date of this report are as follows:

- Mr Tan Soo Nan (Chairman), Non-executive Director
- Associate Professor Wee Beng Geok, Non-executive Director
- Professor Lim Pin, Non-executive Director
- Dr Loo Choon Yong, Executive Director

The Audit Committee performs the functions specified by Section 201B of the Companies Act, the Listing Manual of the Singapore Exchange and the Code of Corporate Governance.

The Audit Committee has held four meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work and the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the external and internal auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

DIRECTORS' REPORT (CONT'D)

Auditors' Remuneration

The Audit Committee reviewed the independence of the auditors as required under Section 206(1A) of the Companies Act and determined that the auditors were independent in carrying out their audit of the financial statements.

Auditors

The auditors, KPMG, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



Dr Loo Choon Yong
Chairman



Mr Tan Soo Nan
Director

9 February 2007

STATEMENT BY DIRECTORS

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In our opinion:

- (a) the financial statements set out on pages 42 to 80 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and of the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Act and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors



Dr Loo Choon Yong
Chairman



Mr Tan Soo Nan
Director

9 February 2007

INDEPENDENT AUDITORS' REPORT

Members of the Company
Raffles Medical Group Ltd

We have audited the accompanying financial statements of Raffles Medical Group Ltd (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2006, the income statement, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 42 to 80.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion:

- (a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and the results, changes in equity and cash flows of the Group for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG

Certified Public Accountants

Singapore

9 February 2007

BALANCE SHEETS

As At 31 December 2006

	Note	Group		Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Non-current assets					
Property, plant and equipment	3	20,191	21,412	2,410	2,855
Intangible assets	4	206	257	–	–
Subsidiaries	5	–	–	74,873	74,873
Jointly-controlled entity	6	53,976	53,000	–	–
Membership rights, at cost		88	88	68	68
Deferred tax assets	7	994	846	–	–
		<u>75,455</u>	<u>75,603</u>	<u>77,351</u>	<u>77,796</u>
Current assets					
Investment in commercial notes	8	14,250	13,000	7,500	5,000
Inventories		3,424	2,942	1,149	994
Trade and other receivables	9	16,761	12,271	11,763	10,524
Cash and cash equivalents	10	41,946	35,129	35,747	28,763
		<u>76,381</u>	<u>63,342</u>	<u>56,159</u>	<u>45,281</u>
Total assets		<u>151,836</u>	<u>138,945</u>	<u>133,510</u>	<u>123,077</u>
Equity attributable to equity holders of the parent					
Share capital	11	101,050	40,035	101,050	40,035
Reserves	13	11,819	67,455	9,397	61,079
		<u>112,869</u>	<u>107,490</u>	<u>110,447</u>	<u>101,114</u>
Minority interests		273	231	–	–
Total equity		<u>113,142</u>	<u>107,721</u>	<u>110,447</u>	<u>101,114</u>
Non-current liabilities					
Deferred tax liabilities	7	746	714	135	175
Current liabilities					
Trade and other payables	14	30,013	24,392	18,207	17,667
Interest-bearing liabilities	15	1,994	2,345	1,822	1,983
Current tax payable		5,941	3,773	2,899	2,138
		<u>37,948</u>	<u>30,510</u>	<u>22,928</u>	<u>21,788</u>
Total liabilities		<u>38,694</u>	<u>31,224</u>	<u>23,063</u>	<u>21,963</u>
Total equity and liabilities		<u>151,836</u>	<u>138,945</u>	<u>133,510</u>	<u>123,077</u>

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

CONSOLIDATED INCOME STATEMENT

Year Ended 31 December 2006

		Group	
	Note	2006 \$'000	2005 \$'000
Revenue		134,248	112,898
Other operating income		1,867	940
Inventories and consumables used		(16,579)	(13,710)
Staff costs		(69,284)	(61,523)
Depreciation of property, plant and equipment		(3,374)	(3,053)
Other operating expenses		(27,668)	(22,050)
Results from operating activities		<u>19,210</u>	<u>13,502</u>
Finance expenses	19	(109)	(81)
Share of profits in a jointly-controlled entity	6	943	1,375
Profit before income tax	17	20,044	14,796
Income tax expense	20	(4,277)	(2,758)
Profit for the year		<u>15,767</u>	<u>12,038</u>
Attributable to:			
Equity holders of the parent		15,713	11,958
Minority interests		54	80
Profit for the year		<u>15,767</u>	<u>12,038</u>
Earnings per share (cents)	21		
Basic		<u>3.85</u>	<u>3.01</u>
Diluted		<u>3.78</u>	<u>2.96</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2006

	Share capital \$'000	Share premium \$'000	Currency translation reserve \$'000	Share option reserve \$'000	Accumulated profits \$'000	Total attributable to equity holders of the Company \$'000	Minority interests \$'000	Total equity \$'000
At 1 January 2005	39,175	54,075	88	636	6,185	100,159	151	100,310
Issue of 8,600,000 shares with 1,300,000 shares at \$0.43 per share, 2,945,000 shares at \$0.33 per share, 2,981,000 shares at \$0.285 per share, and 1,374,000 shares at \$0.42 per share upon the exercise of options under Raffles Medical Group Employees' Share Option Scheme	860	2,097	-	-	-	2,957	-	2,957
Translation differences relating to financial statements of foreign subsidiaries	-	-	(96)	-	-	(96)	-	(96)
Net profit for the year	-	-	-	-	11,958	11,958	80	12,038
Total recognised income and expense for the year	-	-	(96)	-	11,958	11,862	80	11,942
Value of employee services received for issue of share options	-	-	-	487	-	487	-	487
Dividend paid of 2.5 cents per ordinary share	-	-	-	-	(7,975)	(7,975)	-	(7,975)
At 31 December 2005	40,035	56,172	(8)	1,123	10,168	107,490	231	107,721

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

	Share capital \$'000	Share premium \$'000	Currency translation reserve \$'000	Share option reserve \$'000	Accumulated profits \$'000	Total attributable to equity holders of the Company \$'000	Minority interests \$'000	Total equity \$'000
At 1 January 2006	40,035	56,172	(8)	1,123	10,168	107,490	231	107,721
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005	56,172	(56,172)	-	-	-	-	-	-
Issue of 12,197,000 shares with								
3,747,000 shares at \$0.43 per share,								
2,815,000 shares at \$0.33 per share,								
1,663,000 shares at \$0.285 per share,								
2,195,000 shares at \$0.42 per share								
and 1,777,000 shares at \$0.51 per share upon the exercise of options under Raffles Medical Group Employees' Share Option Scheme	4,843	-	-	-	-	4,843	-	4,843
Translation differences relating to financial statements of foreign subsidiaries	-	-	(259)	-	-	(259)	-	(259)
Net profit for the year	-	-	-	-	15,713	15,713	54	15,767
Total recognised income and expense for the year	-	-	(259)	-	15,713	15,454	54	15,508
Value of employee services received for issue of share options	-	-	-	584	-	584	-	584
Interim Ordinary & Special dividend paid of 1.0 cent per ordinary share	-	-	-	-	(4,107)	(4,107)	-	(4,107)
Final & Special dividend paid of 3.0 cents per ordinary share	-	-	-	-	(11,395)	(11,395)	-	(11,395)
Dividends distributed to minority shareholders	-	-	-	-	-	-	(12)	(12)
At 31 December 2006	101,050	-	(267)	1,707	10,379	112,869	273	113,142

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

CONSOLIDATED CASH FLOW STATEMENT

Year Ended 31 December 2006

	Note	2006 \$'000	2005 \$'000
Operating activities			
Profit before income tax		20,044	14,796
Adjustments for:			
Amortisation of intangible assets		51	52
Depreciation of property, plant and equipment		3,374	3,053
Employee share option expense		584	487
Finance expenses		109	81
Exchange gain		(162)	(134)
Interest income from fixed deposits and commercial notes		(1,705)	(806)
Loss on disposal of property, plant and equipment		7	6
Property, plant and equipment written off		47	39
Share of profits in a jointly-controlled entity		(943)	(1,375)
		<u>21,406</u>	<u>16,199</u>
Changes in working capital:			
Inventories		(491)	(371)
Trade and other receivables		(4,491)	(1,161)
Trade and other payables		5,669	2,428
Cash generated from operations		<u>22,093</u>	<u>17,095</u>
Income taxes paid		(2,321)	(1,388)
Interest paid		(109)	(81)
Cash flows from operating activities		<u>19,663</u>	<u>15,626</u>
Investing activities			
Investment in commercial notes		(54,500)	(53,750)
Proceeds from sale of commercial notes		53,250	50,250
Interest received		1,636	715
Purchase of property, plant and equipment		(2,300)	(5,757)
Proceeds from sale of property, plant and equipment		39	610
Cash flows used in investing activities		<u>(1,875)</u>	<u>(7,932)</u>
Financing activities			
Dividends paid to equity holders of the parent		(15,502)	(7,975)
Dividends paid to minority shareholders of the subsidiary		(12)	-
Proceeds from issue of shares under share option scheme		4,843	2,957
Proceeds from bank loan		-	1,983
Repayment of bank loan		-	(1,957)
Cash flows used in financing activities		<u>(10,671)</u>	<u>(4,992)</u>
Net increase in cash and cash equivalents		7,117	2,702
Cash and cash equivalents at beginning of year		34,767	32,021
Effect of exchange rate changes on balances held in foreign currency		(110)	44
Cash and cash equivalents at end of year	10	<u>41,774</u>	<u>34,767</u>

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 9 February 2007.

1 Domicile and Activities

Raffles Medical Group Ltd (the Company) is incorporated in the Republic of Singapore and has its registered office at 585 North Bridge Road, Raffles Hospital #11-00, Singapore 188770.

The principal activities of the Company are those relating to the operation of medical clinics and other general medical services. The Company is the sole proprietor of the following:

- Changi Medical Services
- RafflesCare
- Raffles Airport Medical Centre
- Raffles Dental Surgery
- Raffles Healthcare Consultancy
- Raffles Health Screeners
- Raffles Labs
- Raffles Medihelp
- Raffles Optica
- Raffles Pharmacare
- Raffles Pharmacy

All transactions of these sole proprietorships are reflected in the financial statements of the Company. The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

The immediate and ultimate holding company during the financial year was Raffles Medical Holdings Pte Ltd, which is incorporated in Singapore.

The consolidated financial statements relate to the Company and its subsidiaries (referred to as the Group) and the Group's interest in a jointly-controlled entity.

2 Summary of Significant Accounting Policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities which are measured at fair value.

The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2 Summary of Significant Accounting Policies (Cont'd)

2.1 Basis of preparation (Cont'd)

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 12 – measurement of share-based payments.

The accounting policies set out below have been applied consistently by the Group. The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

2.2 Functional currency

The functional currency of the Company is the Singapore dollar. As sales and purchases are denominated primarily in Singapore dollars and receipts from operations are usually retained in Singapore dollars, the directors are of the opinion that the Singapore dollar reflects the economic substance of the underlying events and circumstances relevant to the Company.

2.3 Consolidation

Subsidiaries

Subsidiaries are companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Investments in subsidiaries are stated in the Company's balance sheet at cost less accumulated impairment losses. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Jointly-controlled entities

Jointly-controlled entities are enterprises over whose activities the Group has joint control, established by contractual agreement.

Investments in jointly-controlled entities are stated in the Company's balance sheet at cost, less accumulated impairment losses. In the Group's financial statements, they are accounted for using the equity method of accounting.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.4 Foreign currencies

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Singapore dollars at foreign exchange rate ruling at that date. Transactions in foreign currencies are translated at foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising from translation are recognised in the income statement, except for differences arising on the translation of monetary items that in substance form part of the Group's net investment in a foreign operation.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2 Summary of Significant Accounting Policies (Cont'd)

2.4 Foreign currencies (Cont'd)

Foreign operations

Assets and liabilities of foreign operations are translated to Singapore dollars for consolidation at the rates of exchange ruling at the reporting date. The results of foreign operations are translated at the average exchange rates for the year. Exchange differences arising on translation are recognised directly in equity. On disposal, accumulated translation differences are recognised in the income statement as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided on a straight-line basis so as to write off items of property, plant and equipment over their estimated useful lives as follows:

Leasehold properties	50 years
Medical equipment	8-10 years
Furniture and fittings	10 years
Office equipment	5-10 years
Motor vehicles	10 years
Computers	3 years
Renovations	Shorter of 6 years and term of lease
Facilities equipment	10 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

2.6 Intangible assets

Assignment fees

Assignment fees relate to amounts paid to secure the tenancy of certain clinic premises. Assignment fees are stated at cost less accumulated amortisation and impairment losses. Assignment fees are amortised and recognised in the income statement on a straight line basis over its estimated useful life of 10 years.

2.7 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, interest-bearing liabilities, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2 Summary of Significant Accounting Policies (Cont'd)

2.7 Financial instruments (Cont'd)

Non-derivative financial instruments (Cont'd)

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Where share capital recognised as equity is repurchased (treasury shares), the amount of the consideration paid, including directly attributable costs, is presented as a deduction from equity. Where such shares are subsequently reissued, sold or cancelled, the consideration received is recognised as a change in equity. No gain or loss is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2 Summary of Significant Accounting Policies (Cont'd)

2.8 Impairment – non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if 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. Impairment losses are recognised in the income statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the 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.

2.9 Inventories

Inventories, comprising mainly pharmaceutical and medical supplies, are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

2.10 Employee benefits

Share-based payments

The share option programme allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transactions costs are credited to share capital when the options are exercised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2 Summary of Significant Accounting Policies (Cont'd)

2.10 Employee benefits (Cont'd)

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.11 Revenue recognition

Service revenue

Revenue is recognised upon provision of healthcare, hospital and insurance services.

Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement on a straight-line basis over the term of the lease. Contingent rentals are recognised as income in the accounting period in which they are earned.

Interest income

Interest income from bank deposits and commercial notes are accrued on a time-apportioned basis.

2.12 Finance expenses

Finance expenses comprise interest expense on borrowings that are recognised in the income statement. All borrowing costs are recognised in the income statement using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

2.13 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2 Summary of Significant Accounting Policies (Cont'd)

2.13 Income tax expense (Cont'd)

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and joint ventures to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.14 Operating leases

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the term of the lease. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 Property, Plant and Equipment

Group	Leasehold properties \$'000	Medical equipment \$'000	Furniture and fittings \$'000	Office equipment \$'000	Motor vehicles \$'000	Computers \$'000	Renovations \$'000	Facilities equipment \$'000	Total \$'000
At 1 January 2005	9,029	13,918	1,868	739	579	3,044	2,910	1,170	33,257
Additions	-	3,942	233	44	7	535	853	143	5,757
Disposals	-	(1,515)	(35)	(69)	-	(213)	(394)	(5)	(2,231)
Translation differences on consolidation	-	11	2	1	-	-	7	-	21
At 31 December 2005	9,029	16,356	2,068	715	586	3,366	3,376	1,308	36,804
Additions	-	936	200	18	52	576	308	210	2,300
Disposals	-	(132)	(9)	(7)	(55)	(355)	(43)	-	(601)
Translation differences on consolidation	-	(41)	(6)	(2)	-	(1)	(39)	-	(89)
At 31 December 2006	9,029	17,119	2,253	724	583	3,586	3,602	1,518	38,414
Accumulated depreciation									
At 1 January 2005	856	6,541	989	428	119	2,716	1,857	397	13,903
Depreciation charge for the year	190	1,625	163	62	58	265	566	124	3,053
Disposals	-	(903)	(24)	(61)	-	(209)	(379)	-	(1,576)
Translation differences on consolidation	-	6	-	2	-	-	4	-	12
At 31 December 2005	1,046	7,269	1,128	431	177	2,772	2,048	521	15,392

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 Property, Plant and Equipment (Cont'd)

Group	Leasehold properties \$'000	Medical equipment \$'000	Furniture and fittings \$'000	Office equipment \$'000	Motor vehicles \$'000	Computers \$'000	Renovations \$'000	Facilities equipment \$'000	Total \$'000
Accumulated depreciation									
At 1 January 2006	1,046	7,269	1,128	431	177	2,772	2,048	521	15,392
Depreciation charge for the year	191	1,809	168	59	54	405	549	139	3,374
Disposals	-	(114)	(5)	(6)	(16)	(352)	(15)	-	(508)
Translation differences on consolidation	-	(20)	(2)	(2)	-	-	(11)	-	(35)
At 31 December 2006	1,237	8,944	1,289	482	215	2,825	2,571	660	18,223
Carrying amount									
At 1 January 2005	8,173	7,377	879	311	460	328	1,053	773	19,354
At 31 December 2005	7,983	9,087	940	284	409	594	1,328	787	21,412
At 31 December 2006	7,792	8,175	964	242	368	761	1,031	858	20,191

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 Property, Plant and Equipment (Cont'd)

Company	Furniture and fittings							Total \$'000
	Medical equipment \$'000	Office equipment \$'000	Motor vehicles \$'000	Computers \$'000	Renovations \$'000			
Cost								
At 1 January 2005	977	555	524	1,670	2,202			6,991
Additions	443	37	7	334	379			1,320
Disposals	(42)	(37)	–	(116)	(49)			(273)
At 31 December 2005	1,378	555	531	1,888	2,532			8,038
Additions	62	16	52	318	40			604
Disposals	(85)	(19)	(100)	(349)	(9)			(579)
At 31 December 2006	1,355	552	483	1,857	2,563			8,063
Accumulated depreciation								
At 1 January 2005	625	314	108	1,433	1,464			4,574
Depreciation charge for the year	120	47	53	168	366			843
Disposals	(33)	(33)	–	(115)	(34)			(234)
At 31 December 2005	712	328	161	1,486	1,796			5,183
Depreciation charge for the year	138	46	44	236	315			868
Disposals	(68)	(11)	(34)	(273)	(5)			(398)
At 31 December 2006	782	363	171	1,449	2,106			5,653
Carrying amount								
At 1 January 2005	352	241	416	237	738			2,417
At 31 December 2005	666	227	370	402	736			2,855
At 31 December 2006	573	189	312	408	457			2,410

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 Property, Plant and Equipment (Cont'd)

Details of major leasehold properties of the Group are set out below:

Leasehold Properties

Description/Location	Gross Floor Area (sq m)	Tenure	Group Carrying amount	
			2006 \$'000	2005 \$'000
HDB shop with living quarters located at Blk 283 Bishan St 22 #01-177 Singapore 570283, held for use as a primary healthcare clinic	135.0	99 years commencing from 1/2/1991	1,021	1,047
A factory unit, located at 196 Pandan Loop #06-05 Pantech Industrial Complex, Singapore 128384, held for use as a store	112.0	99 years commencing from 27/1/1984	293	300
HDB shop unit, located at Blk 927 Yishun Central 1 #01-173 Singapore 760927, held for use as a primary healthcare clinic	76.0	99 years commencing from 1/9/1991	692	710
HDB shop with living quarters located at Blk 722 Ang Mo Kio Ave 8 #01-2825 Singapore 560722, held for use as a primary healthcare clinic	152.0	86 years commencing from 1/10/1993	1,420	1,456
HDB shop with living quarters located at Blk 131 Jurong East St 13 #01-267 Singapore 600131, held for use as a primary healthcare clinic	250.0	91 years commencing from 1/4/1993	1,779	1,821
HDB shop with living quarters located at Blk 177 Toa Payoh Central #01-170 Singapore 310177, held for use as a primary healthcare clinic	115.0	78 years commencing from 1/10/1992	1,111	1,138
HDB shop with living quarters located at Blk 479 Jurong West St 41 #01-266 Singapore 640479, held for use as a primary healthcare clinic	135.0	88 years commencing from 1/8/1995	595	609
HDB shop with living quarters located at Blk 203 Bedok North St 1 #01-467 Singapore 460203, held for use as a primary healthcare clinic	153.0	84 years commencing from 1/7/1992	881	902
			7,792	7,983

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4 Intangible Assets

Group	Assignment fees \$'000
Cost	
At 1 January 2005 and 31 December 2005	612
At 1 January 2006 and 31 December 2006	<u>612</u>
Accumulated amortisation	
At 1 January 2005	303
Amortisation charge for the year	52
At 31 December 2005	<u>355</u>
Amortisation charge for the year	51
At 31 December 2006	<u>406</u>
Carrying amount	
At 1 January 2005	309
At 31 December 2005	<u>257</u>
At 31 December 2006	<u>206</u>

5 Subsidiaries

	Company	
	2006 \$'000	2005 \$'000
Investments in subsidiaries	17,863	17,863
Amounts due from subsidiaries (mainly non-trade)	57,010	57,010
	<u>74,873</u>	<u>74,873</u>

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand. The management of the Company does not intend for the amounts to be repaid within the next twelve months.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5 Subsidiaries (Cont'd)

Details of subsidiaries are as follows:

Name of subsidiary	Principal activities	Place of incorporation and business	Effective equity interest held by the Group	
			2006 %	2005 %
¹ Raffles Hospital Pte Ltd	Provision of general and specialised medical services and operation of a hospital	Singapore	100	100
¹ Raffles Diagnostica Pte Ltd	Operation of medical laboratory and imaging centre	Singapore	100	100
¹ Raffles Medical Properties Pte Ltd	Investment holding	Singapore	100	100
¹ Raffles International Medical Assistance Pte Ltd	Provision of medical evacuation and repatriation and provision of medical advisory services (currently inactive)	Singapore	100	100
³ Raffles Medical Management Pte Ltd	Provision of business management and consultancy services (dormant)	Singapore	100	100
³ Raffles SurgiCentre Pte Ltd	Provision of general and specialised medical services and operation of a hospital (dormant)	Singapore	100	100
¹ Raffles Japanese Clinic Pte Ltd	Operation of medical clinics and provision of medical services	Singapore	80	80
¹ Raffles Health Pte Ltd	Trading in pharmaceutical and nutraceutical products and diagnostic equipment	Singapore	100	100
¹ Aptitude (2003) Pte Ltd	Provision of advisory and consultancy services and developing IT solutions	Singapore	100	100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5 Subsidiaries (Cont'd)

Name of subsidiary	Principal activities	Place of incorporation and business	Effective equity interest held by the Group	
			2006 %	2005 %
¹ Raffles Medical International Pte Ltd and its subsidiary:	Investment holding	Singapore	100	100
² Raffles Medical Group (Hong Kong) Limited and its subsidiary:	Operation of medical clinics and provision of medical and dental treatment services	Hong Kong	100	100
² Coors Consultants Limited	Provision of management services to medical practitioners and the trading of medicine on an indent basis (currently inactive)	Hong Kong	100	100
¹ International Medical Insurers Pte Ltd	Provision of health insurance	Singapore	100	100
³ PT Raffles Medika Indonesia	Provision of hospital and healthcare management and consultancy services (currently inactive)	Indonesia	100 ⁴	100 ⁴
¹ Raffles Chinese Medicine Pte Ltd	Provision of general medical services, acupuncture and acupressure	Singapore	100	–
³ Raffles Korean Clinic Pte Ltd	Operation of medical clinics and provision of medical services (dormant)	Singapore	100	–

¹ Audited by KPMG Singapore.

² Audited by Wong Brothers & Co., Hong Kong.

³ Not required to be audited.

⁴ Shares of this subsidiary are partially held in trust by a director and an employee of the subsidiary.

KPMG Singapore is the auditor of all significant subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6 Jointly-controlled Entity

	Group	
	2006 \$'000	2005 \$'000
Investment at cost:		
– Ordinary shares	4,800	4,800
– Redeemable preference shares	51,570	51,570
Share of post-acquisition losses	(2,394)	(3,370)
	53,976	53,000

Details of the jointly-controlled entity are as follows:

Name of jointly-controlled entity	Principal activity	Place of incorporation and business	Effective equity held by the Group	
			2006 %	2005 %
¹ CapitaLand-Raffles Properties Pte Ltd	Property owner	Singapore	50	50

¹ Audited by KPMG Singapore.

The financial information of the Group's interests in the jointly-controlled entity are as follows:

	2006 \$'000	2005 \$'000
Assets and liabilities		
Non-current assets	95,454	95,421
Current assets	884	2,238
Total assets	96,338	97,659
Current liabilities	(42,362)	(2,582)
Non-current liability	–	(42,077)
Total liabilities	(42,362)	(44,659)
Results		
Revenue	3,446	3,278
Expenses	(2,503)	(1,903)
Profit before taxation	943	1,375
Taxation	33	(55)
Profit after taxation	976	1,320

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7 Deferred Tax

Movements in deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the year are as follows:

	At 1 January 2005 \$'000	Charged/ (credited) to income statement (Note 20) \$'000	Exchange differences \$'000	At 31 December 2005 \$'000	Charged/ (credited) to income statement (Note 20) \$'000	Transfer under Group Relief Scheme \$'000	Exchange differences \$'000	At 31 December 2006 \$'000
Group								
Deferred tax liabilities								
Property, plant and equipment	1,732	(43)	-	1,689	-	-	-	1,689
Deferred tax assets								
Tax value of loss carry-forward	(922)	488	(17)	(451)	(170)	71	66	(484)
Tax value of unabsorbed wear and tear allowances	(820)	(245)	-	(1,065)	6	-	-	(1,059)
Other items	(282)	(23)	-	(305)	(89)	-	-	(394)
	(2,024)	220	(17)	(1,821)	(253)	71	66	(1,937)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7 Deferred Tax (Cont'd)

Company	At 1 January 2005 \$'000	Charged/ (credited) to income statement \$'000	At 31 December 2005 \$'000	Charged/ (credited) to income statement \$'000	At 31 December 2006 \$'000
Deferred tax liabilities					
Property, plant and equipment	268	15	283	(16)	267
Deferred tax assets					
Other items	(93)	(15)	(108)	(24)	(132)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in the balance sheet as follows:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Deferred tax liabilities	746	714	135	175
Deferred tax assets	(994)	(846)	–	–

The following temporary differences have not been recognised:

	Group	
	2006 \$'000	2005 \$'000
Tax losses	1,306	1,206

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

8 Investment in Commercial Notes

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Current investments – amortised cost				
Investment in commercial notes held-to-maturity	14,250	13,000	7,500	5,000

The effective interest rate per annum relating to investment in commercial notes at balance sheet date for the Group and Company are 3.52% (2005: 2.68%) and 3.5% (2005: 3.25%) respectively.

Interest rates reprice at intervals of three months.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9 Trade and Other Receivables

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Trade receivables	15,313	10,820	6,407	4,870
Allowance for doubtful receivables	(1,680)	(1,214)	(383)	(438)
Net receivables	13,633	9,606	6,024	4,432
Deposits	805	833	604	540
Prepayments	1,179	851	332	418
Loans to directors				
– Directors of subsidiaries	287	337	287	337
Staff loans	366	105	366	38
Other receivables	385	345	120	108
Amounts due from subsidiaries:				
– trade	–	–	1,990	2,248
– non-trade (see note below)	–	–	2,040	2,403
Amounts due from related parties:				
– trade	106	194	–	–
	16,761	12,271	11,763	10,524
Amounts due from subsidiaries:				
– non-trade			4,140	4,503
Allowance for doubtful receivables			(2,100)	(2,100)
Net receivables			2,040	2,403

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

The loans to directors were granted in accordance with the Group's Loan Scheme for Executive Directors, approved by the shareholders at an Extraordinary General Meeting held on 29 October 1997.

The Group's primary exposure to credit risk arises through its trade receivables. Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10 Cash and Cash Equivalents

	Note	Group		Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Fixed deposits		39,841	32,120	35,113	27,420
Cash at bank and in hand		2,105	3,009	634	1,343
		41,946	35,129	35,747	28,763
Bank overdrafts (unsecured)	15	(172)	(362)	–	–
Cash and cash equivalents in the cash flow statement		41,774	34,767	35,747	28,763

The weighted average effective interest rates per annum relating to cash and cash equivalents, excluding bank overdrafts, at the balance sheet date for the Group and Company are 3.28% (2005: 3.04%) and 3.23% (2005: 3.0%) respectively.

Interest rates reprice at intervals of one week to one month.

11 Share Capital

	Note	2006 No. of shares (‘000)	2005 No. of shares (‘000)
Issued and fully-paid:			
At 1 January		400,348	391,748
Issue of shares under share option scheme	12	12,197	8,600
		412,545	400,348

On the date of commencement of the Companies (Amendment) Act 2005 on 30 January 2006:

- the concept of authorised share capital was abolished;
- shares of the Company ceased to have par value; and
- the amount standing to the credit of the Company’s share premium account became part of the Company’s share capital.

Unissued ordinary shares of the Company under options granted to eligible directors and employees under the Company’s Employee Share Option Schemes are disclosed in Note 12.

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares (excluding treasury shares) rank equally with regard to the Company’s residual assets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12 Employee Share Options

Equity Compensation Benefits

On 31 October 2000, the shareholders of the Company approved the Raffles Medical Group (2000) Share Option Scheme (RMG 2000 Scheme) at the Extraordinary General Meeting. Both the Schemes are administered by the Committee comprising three directors, Associate Professor Wee Beng Geok, Dr Loo Choon Yong and Professor Lim Pin.

Information regarding the scheme are as follows:

RMG 2000 Scheme

- (i) Subscription price:
 - (a) The exercise price of the options is determined at the average closing price of the Company's shares on the Singapore Exchange Securities Trading Limited on the three business days immediately preceding the date of grant of such options, or
 - (b) The discounted value of the share price determined under (a) above, provided that the maximum discount shall not exceed 20% of (a) above.
- (ii) The options vest on such date in respect of such proportion of the option amount as the Committee may prescribe but shall be no earlier than 1 year after the grant date for (i)(a) and 2 years after the grant date for (i)(b).
- (iii) The options granted expire after 10 years for employees and 5 years for non-employees from the grant date unless they are cancelled or have lapsed.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12 Employee Share Options (Cont'd)

As at the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of the Company are as follows:

Date of grant of options	Exercise price	Number of options outstanding 1 Jan 2006	Options granted/reinstated	Options exercised	Options cancelled/lapsed	Number of options outstanding 31 Dec 2006	Proceeds on options exercised	Market price of shares at date of issue pursuant to the Scheme	Exercise period
15/2/2001	\$0.430	5,869,000	-	(2,787,000)	(26,000)	3,056,000	1,198,410	\$0.440	15/2/02 to 14/2/11
15/2/2001	\$0.430	560,000	-	(410,000)	-	150,000	176,300	\$0.440	15/2/03 to 14/2/11
15/2/2001	\$0.430	500,000	-	(500,000)	-	-	215,000	\$0.440	15/2/02 to 14/2/06
15/2/2001	\$0.430	50,000	-	(50,000)	-	-	21,500	\$0.440	15/2/03 to 14/2/06
8/4/2002	\$0.330	3,869,000	-	(1,848,000)	(11,000)	2,010,000	609,840	\$0.340	8/4/03 to 7/4/12
8/4/2002	\$0.330	419,000	-	(142,000)	-	277,000	46,860	\$0.340	8/4/04 to 7/4/12
8/4/2002	\$0.330	825,000	-	(625,000)	-	200,000	206,250	\$0.340	8/4/05 to 7/4/12
8/4/2002	\$0.330	415,000	80,000	(180,000)	-	315,000	59,400	\$0.340	8/4/03 to 7/4/07
8/4/2002	\$0.330	320,000	-	(20,000)	-	300,000	6,600	\$0.340	8/4/04 to 7/4/07
8/4/2002	\$0.330	100,000	-	-	-	100,000	-	\$0.340	8/4/05 to 7/4/07
31/3/2003	\$0.285	1,884,000	-	(835,000)	(16,000)	1,033,000	237,975	\$0.285	31/3/04 to 30/3/13
31/3/2003	\$0.285	220,000	-	(118,000)	-	102,000	33,630	\$0.285	31/3/05 to 30/3/13
31/3/2003	\$0.285	260,000	-	(260,000)	-	-	74,100	\$0.285	31/3/06 to 30/3/13
31/3/2003	\$0.285	619,000	50,000	(250,000)	-	419,000	71,250	\$0.285	31/3/04 to 30/3/08
31/3/2003	\$0.285	400,000	-	(200,000)	-	200,000	57,000	\$0.285	31/3/05 to 30/3/08
1/4/2004	\$0.420	4,393,000	-	(1,915,000)	(20,000)	2,458,000	804,300	\$0.420	1/4/05 to 31/3/14
1/4/2004	\$0.420	480,000	-	(280,000)	-	200,000	117,600	\$0.420	1/4/06 to 31/3/14
1/4/2004	\$0.420	462,000	-	-	-	462,000	-	\$0.420	1/4/05 to 31/3/09

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12 Employee Share Options (Cont'd)

Date of grant of options	Exercise price	Number of options		Options granted/reinstated	Options exercised	Options cancelled/lapsed	Number of options outstanding 31 Dec 2006	Proceeds on options exercised	Market price of shares at date of issue pursuant to the Scheme	Exercise period
		outstanding 1 Jan 2006	Options granted/reinstated							
1/4/2005	\$0.510	5,289,000	-	-	(1,777,000)	(230,000)	3,282,000	906,270	\$0.510	1/4/06 to 31/3/15
1/4/2005	\$0.510	869,000	-	-	-	(64,000)	805,000	-	\$0.510	1/4/07 to 31/3/15
1/4/2005	\$0.510	430,000	-	-	-	-	430,000	-	\$0.510	1/4/08 to 31/3/15
1/4/2005	\$0.510	260,000	-	-	-	-	260,000	-	\$0.510	1/4/06 to 31/3/10
1/4/2005	\$0.510	200,000	-	-	-	-	200,000	-	\$0.510	1/4/07 to 31/3/10
3/4/2006	\$0.780	-	5,974,000	-	-	(835,000)	5,139,000	-	\$0.780	3/4/07 to 2/4/16
3/4/2006	\$0.780	-	750,000	-	-	(30,000)	720,000	-	\$0.780	3/4/08 to 2/4/16
3/4/2006	\$0.780	-	510,000	-	-	-	510,000	-	\$0.780	3/4/09 to 2/4/16
3/4/2006	\$0.780	-	360,000	-	-	-	360,000	-	\$0.780	3/4/07 to 2/4/11
3/4/2006	\$0.780	-	200,000	-	-	-	200,000	-	\$0.780	3/4/08 to 2/4/11
3/4/2006	\$0.780	-	50,000	-	-	-	50,000	-	\$0.780	3/4/09 to 2/4/11
		28,693,000	7,974,000	(12,197,000)	(1,232,000)		23,238,000	4,842,285		

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12 Employee Share Options (Cont'd)

Movements of share options vested:

Date of grant of options	Number of options vested as at 1 Jan 2006	Number of options vested in 2006	Number of options exercised in 2006	Number of options cancelled/lapsed in 2006	Number of options vested as at 31 Dec 2006	Exercise period
15/2/2001	5,869,000	-	(2,787,000)	(26,000)	3,056,000	15/2/02 to 14/2/11
15/2/2001	560,000	-	(410,000)	-	150,000	15/2/03 to 14/2/11
15/2/2001	500,000	-	(500,000)	-	-	15/2/02 to 14/2/06
15/2/2001	50,000	-	(50,000)	-	-	15/2/03 to 14/2/06
8/4/2002	3,869,000	-	(1,848,000)	(11,000)	2,010,000	8/4/03 to 7/4/12
8/4/2002	419,000	-	(142,000)	-	277,000	8/4/04 to 7/4/12
8/4/2002	825,000	-	(625,000)	-	200,000	8/4/05 to 7/4/12
8/4/2002	415,000	-	(180,000)	-	235,000	8/4/03 to 7/4/07
8/4/2002	320,000	-	(20,000)	-	300,000	8/4/04 to 7/4/07
8/4/2002	100,000	-	-	-	100,000	8/4/05 to 7/4/07
31/3/2003	1,884,000	-	(835,000)	(16,000)	1,033,000	31/3/04 to 30/3/13
31/3/2003	220,000	-	(118,000)	-	102,000	31/3/05 to 30/3/13
31/3/2003	-	260,000	(260,000)	-	-	31/3/06 to 30/3/13
31/3/2003	619,000	-	(250,000)	-	369,000	31/3/04 to 30/3/08
31/3/2003	400,000	-	(200,000)	-	200,000	31/3/05 to 30/3/08
1/4/2004	4,393,000	-	(1,915,000)	(20,000)	2,458,000	1/4/05 to 31/3/14
1/4/2004	-	480,000	(280,000)	-	200,000	1/4/05 to 31/3/14
1/4/2004	462,000	-	-	-	462,000	1/4/05 to 31/3/09
1/4/2005	-	5,289,000	(1,777,000)	(230,000)	3,282,000	1/4/06 to 31/3/15
1/4/2005	-	260,000	-	-	260,000	1/4/06 to 31/3/10
	20,905,000	6,289,000	(12,197,000)	(303,000)	14,694,000	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12 Employee Share Options (Cont'd)

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black-Scholes Option Pricing model.

Date of grant of options	31/3/2003	1/4/2004	1/4/2005	3/4/2006
<i>Fair value of share options and assumptions</i>				
Fair value at measurement date	\$0.11	\$0.10	\$0.06	\$0.10
Share price	\$0.285	\$0.420	\$0.510	\$0.780
Exercise price	\$0.285	\$0.420	\$0.510	\$0.780
Expected volatility	50.6%	40.4%	23.3%	24.9%
Expected option life	10 years	10 years	10 years	10 years
Expected dividend yield	3.4%	5.5%	5.7%	5.5%
Risk-free interest rate	3.1%	3.2%	3.2%	3.0%

The expected volatility is based on the historic volatility (calculated based on the weighted average expected life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

There are no market conditions associated with the share option grants. Service conditions and non-market performance conditions are not taken into account in the measurement of the fair value of the services to be received at the grant date.

13 Reserves

	Group		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Share premium	–	56,172	–	56,172
Currency translation reserve	(267)	(8)	–	–
Share option reserve	1,707	1,123	899	560
Accumulated profits	10,379	10,168	8,498	4,347
	<u>11,819</u>	<u>67,455</u>	<u>9,397</u>	<u>61,079</u>

The currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company, and exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

The share option reserve comprises the cumulative value of employee services received for the issue of share options.

The accumulated profits of the Group include accumulated losses of \$2,394,000 (2005: \$3,370,000) attributable to the jointly-controlled entity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14 Trade and Other Payables

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Trade payables and accrued operating expenses	27,332	22,488	9,838	9,379
Trade amounts due to:				
– related parties	46	46	46	46
– subsidiaries	–	–	7,206	7,077
Non-trade amounts due to subsidiaries	–	–	699	692
Deferred income	1,834	880	–	–
Other payables	801	978	418	473
	<u>30,013</u>	<u>24,392</u>	<u>18,207</u>	<u>17,667</u>

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

15 Interest-bearing Liabilities

	Note	Group		Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Current liabilities					
Unsecured bank overdrafts	10	172	362	–	–
Unsecured bank loans		1,822	1,983	1,822	1,983
Total borrowings		<u>1,994</u>	<u>2,345</u>	<u>1,822</u>	<u>1,983</u>

Effective interest rates and repricing/maturity analysis

Group	Effective interest rate %	Floating interest rate \$'000	Fixed interest rate maturing within 1 year \$'000	Total \$'000
2006				
HK\$ fixed rate term loan	5.25	–	1,822	1,822
Bank overdrafts	9.07	172	–	172
		<u>172</u>	<u>1,822</u>	<u>1,994</u>
2005				
HK\$ fixed rate term loan	4.25	–	1,983	1,983
Bank overdrafts	6.69	362	–	362
		<u>362</u>	<u>1,983</u>	<u>2,345</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15 Interest-bearing Liabilities (Cont'd)

Company	Effective interest rate %	Floating interest rate \$'000	Fixed interest rate maturing within 1 year \$'000	Total \$'000
2006				
HK\$ fixed rate term loan	5.25	–	1,822	1,822
2005				
HK\$ fixed rate term loan	4.25	–	1,983	1,983

16 Segment Reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on mutually agreed terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses, interest income, interest expenses and related assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The Group comprises the following main business segments:

- Healthcare services : The operations of medical clinics and other general medical services, provision of health insurance, trading in pharmaceutical and nutraceutical products and diagnostic equipment, and provision of management and consultancy services.
- Hospital services : The provision of specialised medical services and operation of hospital and business of medical laboratory and imaging centre.
- Investment holdings : The investment in a jointly-controlled entity and investment holding.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers. Segment assets are based on the geographical location of the assets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16 Segment Reporting (Cont'd)

Business Segments

	Healthcare services		Hospital services		Investment holdings		Eliminations		Total operations	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Revenue and expenses										
Revenue from external customers	60,676	52,606	73,519	60,214	53	78	-	-	134,248	112,898
Inter-segment revenue	302	219	5,664	4,457	498	469	(6,464)	(5,145)	-	-
Total revenue	60,978	52,825	79,183	64,671	551	547	(6,464)	(5,145)	134,248	112,898
Segment results	6,058	3,340	12,932	9,913	220	249	-	-	19,210	13,502
Finance costs									(109)	(81)
Share of profit in a jointly-controlled entity	-	-	-	-	943	1,375	-	-	943	1,375
Income tax expense									(4,277)	(2,758)
Profit for the year									15,767	12,038
Assets and liabilities										
Segment assets	146,982	135,444	37,053	35,999	8,003	8,240	(95,172)	(94,584)	96,866	85,099
Investment in jointly-controlled entity	-	-	-	-	53,976	53,000	-	-	53,976	53,000
Deferred tax assets									994	846
Total assets									151,836	138,945
Segment liabilities	33,441	30,959	15,891	12,123	62,791	63,160	(80,116)	(79,505)	32,007	26,737
Current and deferred tax liabilities									6,687	4,487
Total liabilities									38,694	31,224

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16 Segment Reporting (Cont'd)**Business Segments (Cont'd)**

	Healthcare services		Hospital services		Investment holdings		Eliminations		Total operations	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Other segment information										
Capital expenditure	839	1,956	1,461	3,801	-	-	-	-	2,300	5,757
Depreciation of property, plant and equipment	1,160	1,114	2,024	1,749	190	190	-	-	3,374	3,053
Amortisation of intangible assets	-	-	-	-	51	52	-	-	51	52
Other non-cash expenses/(income)	54	(70)	603	79	20	-	-	-	677	9

Geographical Segments

	Singapore		Hong Kong		Total operations	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Revenue from external customers	130,490	108,850	3,758	4,048	134,248	112,898
Segment assets	95,626	83,503	1,240	1,596	96,866	85,099
Capital expenditure	2,283	5,250	17	507	2,300	5,757

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17 Profit for the Year

The following items have been included in arriving at profit for the year:

	Group	
	2006	2005
	\$'000	\$'000
Contingent rents	787	631
Contributions to defined contribution plans, included in staff costs	4,138	3,919
Exchange gain	(162)	(134)
Interest income from fixed deposits and commercial notes	(1,705)	(806)
Loss on disposal of property, plant and equipment	7	6
Non-audit fees paid to auditors of the Company	22	20
Operating lease expense	10,113	9,008
Property, plant and equipment written off	47	39
Allowance/(Reversal) for doubtful receivables	623	(36)
Value of employee services received for issue of share options, included in staff costs	584	487
	<u>584</u>	<u>487</u>

18 Key Management Personnel Compensation

The key management personnel compensation are as follows:

	Group	
	2006	2005
	\$'000	\$'000
Directors' remuneration included in staff costs:		
– the Company	3,079	2,359
– the subsidiaries	2,514	3,922
Directors' fees		
– the Company	110	110
– the subsidiaries	12	20
Equity compensation benefits	113	138
	<u>5,828</u>	<u>6,549</u>

19 Finance Expenses

	Group	
	2006	2005
	\$'000	\$'000
Interest paid and payable on:		
– bank loans	89	71
– bank overdrafts	20	10
	<u>109</u>	<u>81</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20 Income Tax Expense

	Note	Group	
		2006 \$'000	2005 \$'000
Current tax expense			
Current year		4,576	2,572
Overprovided in prior years		(13)	(46)
		<u>4,563</u>	<u>2,526</u>
Deferred tax expense			
Movements in temporary differences		(283)	98
Reversal of deferred tax asset		15	79
Underprovided in prior years		15	–
	7	<u>(253)</u>	<u>177</u>
Share of tax of jointly-controlled entity		(33)	55
Income tax expense		<u>4,277</u>	<u>2,758</u>
<i>Reconciliation of effective tax rate</i>			
Profit before income tax		<u>20,044</u>	<u>14,796</u>
Tax calculated using Singapore corporate tax rate of 20%		4,009	2,959
Effect of different tax rates in other countries		26	3
Expenses not deductible for tax purposes		255	238
Income not subject to tax		(263)	(219)
(Over)/Underprovided in prior years		2	(46)
Tax rebate		(46)	(44)
Investment allowance		–	(200)
Reversal of deferred tax in respect of prior years		15	79
Tax effect of unrecognised tax losses		130	–
Others		149	(12)
		<u>4,277</u>	<u>2,758</u>

21 Earnings Per Share

	Group	
	2006 \$'000	2005 \$'000
Basic earnings per share is based on:		
Net profit attributable to ordinary shareholders	<u>15,713</u>	<u>11,958</u>
	2006	2005
	No. of shares	No. of shares
	('000)	('000)
Issued ordinary shares at beginning of the year	400,348	391,748
Effect of share options exercised	7,399	5,690
Weighted average number of ordinary shares	<u>407,747</u>	<u>397,438</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21 Earnings Per Share (Cont'd)

	Group	
	2006	2005
	\$'000	\$'000
Diluted earnings per share is based on:		
Net profit attributable to ordinary shareholders	15,713	11,958

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options and contingently issuable shares, with the potential ordinary shares weighted for the period outstanding.

The effect of the exercise of share options and issue of contingently issuable shares on the weighted average number of ordinary shares in issue is as follows:

	2006	2005
	No. of shares ('000)	No. of shares ('000)
Weighted average number of:		
Ordinary shares used in the calculation of basic earnings per share	407,747	397,438
Potential ordinary shares issuable under share options	7,850	5,920
Weighted average number of ordinary issued and potential shares assuming full conversion	415,597	403,358

22 Financial Instruments**Financial risk management objectives and policies**

The Group is exposed to credit risk, interest rate risk and foreign currency risk which arises in the normal course of the Group's business. The Group has risk management policies and guidelines which set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on customers requiring credit over the recommended limit set by management.

At the balance sheet date, there is no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22 Financial Instruments (Cont'd)**Interest rate risk**

The Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

Foreign currency risk

In respect of other monetary assets and liabilities held in currencies other than the Singapore dollars, the Group ensures that the net exposure to currency fluctuation is kept to an acceptable level.

Fair values of recognised financial instruments

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables, bank overdrafts, and interest-bearing loans and borrowings) are assumed to approximate their fair values.

The investment in commercial notes is based on amortised cost less impairment losses at the balance sheet date. The carrying amounts approximate their fair values.

23 Commitments**Operating lease commitments**

At 31 December 2006, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Payable:				
– Within 1 year	5,424	10,481	3,102	3,947
– After 1 year but within 5 years	3,368	6,477	3,162	3,990
	<u>8,792</u>	<u>16,958</u>	<u>6,264</u>	<u>7,937</u>

The leases typically run for an initial period of three to six years, with an option to renew the lease after that date. For renewed leases, the lease payments are determined based on the prevailing market rent at the point of renewal.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23 Commitments (Cont'd)**Sub-lease receivables**

At 31 December 2006, the Group has future minimum sub-lease income receivable under non-cancellable operating leases as follows:

	2006	2005
	\$'000	\$'000
Receivable:		
– Within 1 year	1,335	1,078
– After 1 year but within 5 years	668	1,034
	<u>2,003</u>	<u>2,112</u>

Proposed dividends

After the balance sheet date, the Directors proposed the following dividends:

	2006	2005
	\$'000	\$'000
Final dividend proposed of 2.0 cents (2005: 0.5 cent) per share (tax exempt)	8,251	2,002
Final dividend proposed of Nil cent (2005: 1.0 cent less tax at 20%) per share	–	3,203
Special dividend proposed of 1.0 cent (2005: 1.5 cents) per share (tax exempt)	4,125	6,005
	<u>12,376</u>	<u>11,210</u>

These dividends have not been provided for.

24 Related Parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has 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 and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Other than disclosed elsewhere in the financial statements, the transactions with related parties are as follows:

	2006	2005
	\$'000	\$'000
Operating lease expense	<u>6,556</u>	<u>6,250</u>

Transactions with key management personnel

Directors also participate in the Employee Share Option Scheme. 450,000 (2005: 400,000) share options were granted to the directors of the Company during the year. The share options that were granted during the year were on the same terms and conditions as those offered to other employees of the Company as described in Note 12. At the balance sheet date, 2,350,000 (2005: 2,800,000) of the share options granted to the directors of the Company were outstanding.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25 Contingent Liabilities (Secured)

As at 31 December 2006, the Company has given banks guarantees (secured) amounting to \$41,941,000 (2005: \$44,327,000) in respect of credit facilities extended to a jointly-controlled entity.

26 New Accounting Standards and Interpretations Not Yet Adopted

The Company has not applied the following accounting standards and interpretations that have been issued as of the balance sheet date but are not yet effective:

- FRS 40 Investment Property
- FRS 107 Financial Instruments: Disclosures and the Amendment to FRS 1 Presentation of Financial Statements: Capital Disclosures
- INT FRS 107 Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies
- INT FRS 108 Scope of FRS 102 Share-based Payment
- INT FRS 109 Reassessment of Embedded Derivatives
- INT FRS 110 Interim Financial Reporting and Impairment

The initial application of these standards and interpretations are not expected to have any material impact on the Company's financial statements. The Company has not considered the impact of accounting standards issued after the balance sheet date.

SHAREHOLDINGS STATISTICS

As At 8 March 2007

Class of shares – Ordinary shares

Voting rights – 1 vote per ordinary share

Shareholdings Held in Hands of Public

Based on information available to the Company as at 8 March 2007, approximately 39.00% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

Analysis of Shareholdings

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	46	0.74	16,511	0.00
1,000 – 10,000	5,132	82.57	19,437,417	4.68
10,001 – 1,000,000	1,016	16.35	42,027,652	10.13
1,000,001 and above	21	0.34	353,637,419	85.19
	6,215	100.00	415,118,999	100.00

SHAREHOLDINGS STATISTICS (CONT'D)

Top 20 Shareholders

No.	Name	No. of Shares	%
1	Raffles Medical Holdings Pte Ltd	140,907,000	33.94
2	DBS Nominees Pte Ltd	48,128,500	11.59
3	Loo Choon Yong	43,256,819	10.42
4	UOB Nominees (2006) Pte Ltd	20,000,000	4.82
5	Citibank Nominees Singapore Pte Ltd	19,949,000	4.81
6	Lu Qing Hui	16,000,000	3.85
7	HSBC (Singapore) Nominees Pte Ltd	12,317,000	2.97
8	United Overseas Bank Nominees Pte Ltd	11,771,400	2.84
9	DBSN Services Pte Ltd	6,337,000	1.53
10	Morgan Stanley Asia (S) Securities Pte Ltd	5,607,000	1.35
11	Raffles Nominees Pte Ltd	5,535,000	1.33
12	HL Bank Nominees (S) Pte Ltd	4,050,000	0.98
13	Tan Tiang Lee	2,920,000	0.70
14	Yang Ching Yu	2,730,000	0.66
15	Yii Hee Seng	2,677,000	0.64
16	OCBC Nominees Singapore Pte Ltd	2,477,700	0.60
17	Kwok Wai Ling	2,477,000	0.60
18	Asian Medical Foundation Ltd	2,000,000	0.48
19	Goh Ah Hoe	1,722,000	0.41
20	Royal Bank Of Canada (Asia) Ltd	1,475,000	0.36
		352,337,419	84.88

Substantial Shareholders

Name	Direct Interest	%	Deemed Interest	%
Dr Loo Choon Yong	48,281,999	11.63	203,907,000	49.12
Raffles Medical Holdings Pte Ltd	187,907,000	45.27		

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 18th Annual General Meeting of the Company will be held at 585 North Bridge Road, Raffles Hospital #11-00, Singapore 188770 on Monday, 23 April 2007 at 3.00 pm to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Accounts and the Auditors' Report thereon for the year ended 31 December 2006. **(Resolution 1)**
2. To approve the payment of a tax exempt final dividend of 2.0 cents for the year ended 31 December 2006. **(Resolution 2)**
3. To approve the payment of a tax exempt special dividend of 1.0 cent for the year ended 31 December 2006. **(Resolution 3)**
4. To approve Directors' fees (\$110,000) for the year ended 31 December 2006 (2005:\$110,000). **(Resolution 4)**
5. To re-elect the following Directors who are retiring under Article 97 of the Articles of Association of the Company:
 - 5.1 Mr Tan Soo Nan
 - 5.2 Associate Professor Wee Beng Geok **(Resolution 5)**
6. To re-elect Professor Lim Pin, a Director retiring under Section 153(6) of the Companies Act, to hold office from the date of this Annual General Meeting until the next Annual General Meeting.
 - 6.1 Professor Lim Pin **(Resolution 6)**
7. To re-appoint KPMG as Auditors and authorise Directors to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS

8. Authority to issue new shares and convertible securities.

That pursuant to Section 161 of the Companies Act, and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors to allot and issue shares and convertible securities in the Company (whether by way of rights, bonus, options or otherwise), at any time and upon such terms and conditions, and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier: PROVIDED THAT:

- (a) the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to shareholders of the Company (the "Shareholders") does not exceed 20% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (b) below); and
- (b) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the percentage of issued share capital is based on the issued share capital of the Company as at the date of the passing of this Resolution after adjusting for new shares arising from conversion or exercise of convertible securities, new shares arising from exercising share options or vesting of share awards outstanding or subsisting as at the date of the passing of this Resolution, and any subsequent consolidation or subdivision of shares. **(Resolution 8)**

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

9. The Directors of the Company be and are hereby authorised to offer and grant options in accordance with the provisions of the Raffles Medical Group (2000) Share Option Scheme (the "Scheme") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of such options under the Scheme, provided that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed 15% of the total issued share capital of the Company from time to time. **(Resolution 9)**
10. To transact any other business which may be properly transacted at an Annual General Meeting.

NOTICE IS ALSO HEREBY GIVEN that the Transfer Books and Register of Members of the Company will be closed on 4 May 2007, for the preparation of dividend warrants. Duly completed transfers received by the Company's Registrar, M&C Services Private Limited, 138 Robinson Road, #17-00 The Corporate Office, Singapore 068906, up to the close of business at 5.00 pm on 3 May 2007 be registered to determine shareholders' entitlement to the proposed dividend. The proposed final dividend and the special dividend if approved at the Annual General Meeting will be paid on 16 May 2007.

BY ORDER OF THE BOARD

Wee Jee Kin
Company Secretary

Singapore
31 March 2007

Notes:

An ordinary shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and to vote in his stead. An ordinary shareholder of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.

A proxy need not be a member of the Company.

The instrument appointing a proxy must be deposited at the Company's Office at 585 North Bridge Road, Raffles Hospital #11-00, Singapore 188770, at least 48 hours before the time for holding the Meeting.

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PROXY FORM

RAFFLES MEDICAL GROUP LTD

Company Registration No. 198901967K

IMPORTANT

1. For investors who have used their CPF monies to buy Raffles Medical Group Ltd shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominee and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We _____

of _____

being a member/member of the above mentioned Company hereby appoint

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

Add/or (delete as appropriate)

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As my/our proxy/proxies to attend and to vote for me/us on my/our behalf, and if necessary, to demand a poll, at the Annual General Meeting of the Company to be held on Monday 23 April 2007 at 3.00 pm and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote (s) to be cast for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matters arising at the Annual General Meeting).

No.	ORDINARY BUSINESS	FOR	AGAINST
1	Adoption of Report and Accounts (Resolution 1)		
2	Declaration of Final Dividend (Resolution 2)		
3	Declaration of Special Dividend (Resolution 3)		
4	Approval of Directors' Fees (Resolution 4)		
5	Re-election of the following Directors in accordance with Article 97 of the Articles of Association of the Company 5.1 Mr Tan Soo Nan 5.2 Associate Professor Wee Beng Geok (Resolution 5)		
6	Re-election of the following Director retiring under Section 153(6) of the Companies Act 6.1 Professor Lim Pin (Resolution 6)		
7	Re-appointment of KPMG as Auditors (Resolution 7)		
SPECIAL BUSINESS			
8	Authority to issue shares up to 50% of issued capital (Resolution 8)		
9	Authority to offer and grant options in accordance with the Raffles Medical Group (2000) Share Option Scheme (Resolution 9)		

Dated this _____ day of _____ 2007

Total Number of Shares Held	
------------------------------------	--

Signature(s) of Member(s) or Common Seal



Fold this Flap For Sealing

**Please
Affix
Stamp
Here**

**The Company Secretary
Raffles Medical Group Ltd**
585 North Bridge Road
#11-00 Raffles Hospital
Singapore 188770

2nd Fold Here

A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

The instrument appointing a proxy or proxies (together with the power of attorney, if any, under which it is signed or a notarially certified copy thereof) must be deposited at the registered office of the Company at 585 North Bridge Road, #11-00 Raffles Hospital, Singapore 188770, not later than 48 hours before the time appointed for the Annual General Meeting.

A corporation which is a member may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the 18th Annual General Meeting, in accordance with Section 161 of the Companies Act, Cap. 50 of Singapore.

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Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members.

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specific in the instrument appointing a proxy or proxies. In addition, in the case of members whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited ("CDP") to the Company.

30 *years*
To Our Patients Our Best

RafflesMedicalGroup

Company Registration No. 198901967K

585 North Bridge Road, Raffles Hospital #11-00, Singapore 188770

Tel: (65) 6311 1111 Fax: (65) 6338 1318

www.rafflesmedical.com