

*RafflesMedicalGroup*

Annual Report 2004

# Growth & Aspiration



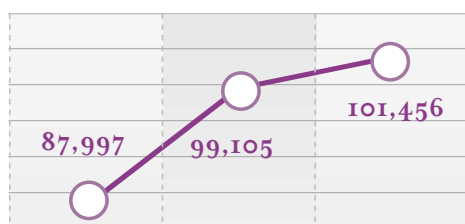


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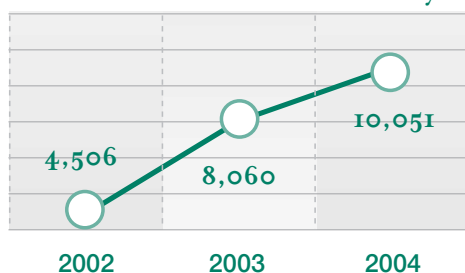
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# HIGHLIGHTS OF 2004 PERFORMANCE

## Revenue



## Net Profit After Tax & Minority Interests



- Group achieved 24.7% growth in net profitability to S\$10.1 million
- Hospital services division attained 23.5% growth in revenue to S\$50.1 million, while profit before tax surged 248% to S\$4.7 million
- Specialist outpatient visits grew by 19.6% while hospital admissions grew by 16.0%
- International Medical Insurers, the Group's insurance arm, is expected to contribute to revenue growth



# CORPORATE PROFILE







# A flourishing enterprise

Raffles Medical Group, founded in 1976 and subsequently listed in Singapore in 1997, has evolved from two clinics to become one of the leading integrated private healthcare providers in Singapore and the region today.

With its flagship Raffles Hospital, a network of 60 clinics across Singapore, four clinics in Hong Kong and representative offices in Indonesia and Bangladesh, Raffles Medical Group is fast expanding beyond its traditional markets to the region and beyond.

CORPORATE PROFILE





# A total healthcare business

Raffles Medical Group prides itself on providing a continuum of care, from primary care at our network of Raffles Medical clinics, to specialist and tertiary care at Raffles Hospital.

In March 2003, we launched our own range of vitamins, supplements and diagnostic products under Raffles Health, the Group's personal healthcare unit.

In January 2005, we started International Medical Insurers where we offer more choices in healthcare financing for both corporate clients and individuals.

CORPORATE PROFILE







# A hospital for all your healthcare needs

Raffles Hospital is a hospital built around the needs of our patients.

We have 12 operating theatres fully equipped for a complete range of surgeries and diagnostic facilities featuring the latest imaging techniques.

Our 11 specialist clinics provide a range of services from prevention, diagnosis and treatment of a wide range of diseases and medical conditions to aesthetic procedures and healthscreening packages.

The rooms at Raffles Hospital are outfitted with hotel standards of comfort and furnishings.

Intimate and cosy, Raffles Hospital is the ideal sanctuary for rest and recovery.

## CHAIRMAN'S MESSAGE

“Working as a team, we strive to make Raffles Medical Group not only the healthcare institution of choice among patients but the employer of choice among like minded individuals who believe in giving their best for the care of the sick and the needy.”



### Dear Shareholders

I am happy to announce that we have done well in 2004.

### Sound Financial Performance

The Group turned in a sterling performance, with increased revenue and profits, generated by most of our operating units. Raffles Hospital contributed strongly to this performance.

The Group ended 2004 with a 24.7 per cent growth in net profit to \$10.1 million with total revenue of \$101.5 million.

At the hospital, specialist outpatient visits grew by 19.6 per cent while hospital admissions grew by 16 per cent.

Revenue from hospital services grew to \$50.1 million - a 23.5 per cent growth from the same period last year.

Profit before tax from the hospital services rose by an impressive 248 per cent, from \$1.4 million in 2003 to \$4.7 million in 2004.

The Directors are pleased to recommend a first and final dividend of 15 per cent and a special dividend of 10 per cent.

### New Revenue Streams

We experienced encouraging growth in foreign patient volumes, bringing the proportion of foreign patients at our hospital to a third of the total patient load. These patients come from more than 100 different countries.

The international patients market is poised for greater growth as Singapore continues its push to be the pre-eminent medical hub of the region. Raffles Hospital will grow to serve this need.

We expanded our healthcare services by providing mass health screening to corporations in 2004. The network of Raffles Medical clinics is geared for growth this year, with the planned opening of seven new clinics.

An additional contribution to the Group's revenue is expected to come from International Medical Insurers Pte Ltd - the Group's health insurance subsidiary which started operations in January 2005.

### **New Markets; New Opportunities**

In the light of a buoyant economy, I am optimistic that we can look forward to many new opportunities in the region.

We will evaluate such opportunities for their potential for accretive growth and enhancement of shareholders value.

### **A Vote of Thanks**

I would like to thank my Board of Directors for their invaluable support and advice as we take our growing business to new heights.

I also want to acknowledge the contributions of members of the Raffles family - our committed senior management team, our hardworking, compassionate and dedicated team of consultant specialists, family physicians, nurses, healthcare managers and administrative staff.

Last but not least, my sincere appreciation to all our patients and corporate clients for their unwavering support. We value this relationship and promise to continue to give you our best.

### **Working Together for a Shared Dream**

For the long term growth and development of the Group, it is important to nurture and develop a team of people who share the same vision.

Working as a team, we strive to make Raffles Medical Group not only the healthcare institution of choice among patients but the employer of choice among like-minded healthcare professionals who believe in giving their best for the care of the sick and the needy.

We pride ourselves as being an organization with strong values and a firm and deep commitment to society.

This year many members of the Raffles family helped to start The Asian Medical Foundation, a charity committed to assisting and helping the less fortunate in Singapore and the Asian region.

For a start, we want to continue our medical missions to tsunami-hit Aceh, giving our time, resources and expertise to the disaster survivors.

In due course, together with The Asian Medical Foundation, we will be doing more for the less fortunate,

With success, comes greater responsibility.



**DR LOO CHOON YONG**  
EXECUTIVE CHAIRMAN



## BOARD OF DIRECTORS



**Dr Loo Choon Yong**



**Dr David M Lawrence**



**A/P Wee Beng Geok**



**Prof Lim Pin**



**Mr Tan Soo Nan**

### **Dr Loo Choon Yong**

*Executive Chairman and Co-Founder*

Dr Loo Choon Yong is the Chairman of the Board and the Executive Chairman and co-founder of Raffles Medical Group, one of Singapore's leading private integrated healthcare providers.

Dr Loo was a Member of the Government Economic Review Committee (ERC) and Chairman of the ERC's Healthcare Services Working Group (HSWG). He is a Member of the Ministry of Finance's Council on Corporate Disclosure and Governance (CCDG). Dr Loo is also currently the Deputy Chairman of the Action Committee for Entrepreneurship (ACE), an initiative to promote entrepreneurship in Singapore.

Dr Loo is the Vice Chairman of National Council Against Drug Abuse (NCADA) and he was the President of the Singapore Anti-Narcotics Association (SANA), a position he held from 1996 to 2005.

He is currently a member of the Board of Trustees for the Chinese Development Assistance Council (CDAC) and the Singapore Management University (SMU) from 2000 to 2005. He is also a member of the Board of Governors for Raffles Junior College.

Dr Loo has been appointed as a Nominated Member of Parliament by the President of Singapore. His term of service commenced from 2 January 2005.

Besides his medical training, Dr Loo also read Law at the University of London and is a member of Middle Temple.

### **Dr David McKinnon Lawrence**

*Independent Director*

Dr David McKinnon Lawrence currently serves on the Boards of Agilent Technologies, Pacific Gas and Electric 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.

### **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 Organizational 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 and the Bioethics Advisory Committee.

He joined the Board on 19 February 2001.

### **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 a Trustee of the Singapore Totalisator Board SCO Trust. He is also a Member of the Income Tax Board of Review, Goods and Services Tax Board of Review, Football Association of Singapore, National Volunteer and Philanthropy Centre and Council on Governance of Institutions of a Public Character.

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.

## SENIOR MANAGEMENT



### STANDING (Left to Right)

Dr Loo Choon Yong  
*Executive Chairman*

Dr Yii Hee Seng  
*Principal Officer and General Manager,  
International Medical Insurers*

Ms Chua Pek Kim  
*Deputy Director,  
Human Resource*

Dr Prem Kumar Nair  
*General Manager,  
Corporate Services*

Mr Han Jok Kwang  
*Director,  
Information Technology*

Dr Yang Ching Yu  
*Deputy Medical Director,  
Raffles Hospital*

Mr Chan Chong Leong  
*General Manager,  
Raffles Health*

Professor Walter Tan  
*Medical Director,  
Raffles Hospital*

Dr Wilson Wong  
*Medical Director,  
Clinic Network Operations*

Mr Lawrence Lim  
*General Manager,  
Raffles Hospital*

### SEATED (Left to Right)

Mrs Hilda Yap  
*Director,  
Finance and Administration*

Mr Moiz Tyebally  
*Director,  
Corporate Affairs*

Mrs Kimmy Goh  
*Group Financial Controller*

Ms Annie Pang  
*Director,  
Inpatient Operations  
(Not present in photograph)*

## OPERATIONS REVIEW

2004 was a year marked by a concrete strengthening of existing business units.

### Growth in Current Business Units

There was all-round growth in our business units - namely Raffles Medical clinics and Raffles Hospital.

Raffles Medical expanded the clinical breadth and depth of its services.

Clinical service at our GP clinics was enhanced when some of our satellite clinics started operating as integrated medical centres, offering healthscreening services, laboratory services, x-ray and other diagnostic tests. We even run "lifestyle" clinics like smoking cessation clinics and provide treatment for hair loss and obesity.

As the economy improves, our network of clinics will continue to expand as we open seven more clinics this year.

We also look forward to providing quality service to our pool of corporate clients and aim to acquaint more corporations with the Raffles style of integrated care.

As people become more conscientious in their efforts to develop a healthy lifestyle at work, our *Health@Work* programme went into overdrive, providing mass healthscreening services to corporations, rolling out healthcare consultancy programmes and conducting educational talks for hundreds and thousands of corporate clients.

Increased inpatient and outpatient volumes at Raffles Hospital was achieved through a combination of local and regional associations, education, promotion and the provision of excellent medical services at affordable prices.

Specialist outpatient visits grew by 19.6 per cent while hospital admissions grew by 16 per cent.

As a result, our hospital services division attained 23.5 per cent growth in revenue to \$50.1 million, while profit before tax surged 248 per cent to \$4.7 million.





### Venturing Beyond Our Shores

More regional patients are seeking treatment at Raffles Hospital. Foreign patients now constitute a third of our total patient load.

In 2004, for example, we have had foreign patients from 100 countries, including: Australia, Bangladesh, China, Indonesia, Japan, Malaysia, Mauritius, Myanmar, Russia, South Korea, United Kingdom, United States of America, and the Middle Eastern nations of Bahrain, Oman, Saudi Arabia and United Arab Emirates.

The Raffles model of team-based medicine is known not only locally, but in the region and even beyond, in the United States, Europe and the Middle East.

Thanks to our successful separation of Korean Twins Ji Hye and Sa Rang in 2003, the Raffles name is now synonymous with safety, quality and excellence in Korea.

We carried out our first living non-related renal transplant at Raffles Hospital in 2004. The patient is a Korean businessman who came to Raffles after hearing all about our quality of care and high medical standards.



OPERATIONS REVIEW

**Making Private Healthcare Affordable**

In order to use our skills and excellent facilities to benefit more local and regional patients, Raffles Hospital launched a palette of 10 Special Fixed Priced Packages in September 2004.

These 10 common procedures include Coronary Artery Bypass Graft, total knee or hip replacement surgery and cataract surgery. The packages are all inclusive, with doctors' fees, ward charges, procedure charges and cost of medication bundled together at very affordable prices.

Most of these package prices are comparable to our closest competitors in the region.

We also started a 6-bedded ward at Raffles Hospital, to make our service more accessible to those who would otherwise not be able to afford private care. Patients in these wards get to enjoy an air-conditioned stay and are treated by a consultant specialist.

**The Attraction of Group Practice**

Our group practice model offers our specialists an environment that allows them to concentrate on their medical practice while leaving administrative work in the capable hands of specialist healthcare managers.

It also provides them the time and space for continued professional development, sub-speciality training, as well as clinical research.



### Meeting Patient Needs with New Services

This year, the new Orthopaedic and Sports Medicine Centre will have a six-doctor team of orthopaedic surgeons and sports medicine physicians with different subspecialist interests ranging from joint replacement to hand surgery to spinal surgery.

The Raffles Aesthetics Centre will double in size and be upgraded into a centre providing plastic and reconstructive surgeries, as well as a variety of aesthetic and wellness services. Latest technologies in aesthetics will be available as part of the beauty regime.

With the steady growth in the Raffles family of specialists, the Paediatrics clinic now has a strong team. The Paediatrics clinic at the hospital is open for service at nights and on weekends.

The Raffles Counselling Centre comprises a multi-disciplinary team of three consultant psychiatrists, more than 20 psychologists, counsellors and family therapists offering services that range from treatment of depression and alcoholism rehabilitation to post-trauma counselling.

The Raffles Japanese Clinic has also gone from strength to strength, with a loyal and ever growing patient base from the region.





OPERATIONS REVIEW



**Healthcare Financing - A New Business Unit**

In 2004, we obtained a license to conduct direct health and accident insurance from the Monetary Authority of Singapore.

The core products of International Medical Insurers Pte Ltd are healthcare and medical insurance products with additional related products like travel insurance and personal accident insurance.

Raffles Medical Group has long been a provider of Managed Care services.

With our experience and our domain knowledge, we can offer more choices in healthcare financing for both our corporate clients and individuals.

**Heart for Those in Need**

A review of 2004 would not be complete without a mention of Raffles Medical Group's contribution to disaster relief efforts in the immediate aftermath of the Asian Tsunami Disaster on Boxing Day 2004.

Working with The Asian Medical Foundation - a charity committed to assisting the less fortunate in Singapore and the region - we sent a batch of emergency medical supplies and medications worth \$25,000 to Aceh via the Indonesia Embassy in Singapore.

The Foundation, collaborating with Munich Reinsurance Singapore, then despatched a medical team of two doctors and two nurses to Aceh to render emergency medical assistance to the survivors.

The team brought along more than 250kg worth of medical supplies to treat 800 patients. But medication such as antibiotics was depleted within three days and had to be replenished.

The Tsunami Disaster has crystallised our belief that as a group of doctors, nurses and healthcare personnel, it is our calling to heed the cries of the sick, the poor and the needy.

### Hope for the New Year

Raffles Medical Group has evolved from a 2-clinic practice to a diversified Group of 60 GP clinics in Singapore, four clinics in Hongkong, a flagship hospital in Singapore, representative offices in the region and representation in different parts of the world.

The Group will also continue to seek regional opportunities in Indonesia, Malaysia and China.

As we expand, we want to bring the Raffles brand of quality healthcare to the region and beyond, and transform Raffles Medical Group into a regional integrated healthcare organisation.

More importantly, we hope to bring the Raffles legacy of care with us, that wherever we go, we may touch more lives.



## CORPORATE INFORMATION

### **Raffles**MedicalGroup

#### **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

#### **Board Nomination and Compensation Committee**

Dr Loo Choon Yong (Chairman)  
Professor Lim Pin  
Associate Professor Wee Beng Geok

#### **Registered / Corporate Office**

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

#### **Company Secretary**

Mr Moiz A. Tyebally

#### **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: Mr Ong Pang Thye  
(Year of Appointment: 2002)

#### **Principal Bankers**

United Overseas Bank Limited  
Oversea-Chinese Banking Corporation Limited  
DBS Bank Ltd



# PROFESSIONAL GOVERNANCE

## RafflesHospital

### Board of Directors

Dr Loo Choon Yong (*Chairman*)  
 Professor Walter Tan  
 Professor Edward Tock  
 Mr Lock Sai Hung  
 Ms Jennie Chua  
 Dr Alfred Loh  
 Dr Wilson Wong  
 Dr Yang Ching Yu

### Medical Advisory Board

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

### Credentials Committee

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

### Quality Assurance Committee

Dr Alfred Loh (*Chairman*)  
 Dr J J Murugasu  
 Mr Lawrence Lim  
 Ms Chua Pek Kim  
 Ms Annie Pang  
 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 Alfred Loh (*Ex Officio*)

### 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  
 Professor Walter Tan (*Ex Officio*)  
 Dr Alfred Loh (*Ex Officio*)

### 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 Teo Sek Khee  
 Dr Yui Hee Seng  
 Ms Wu Siew See  
 Ms Lai Swee Lin (*Secretary*)

### Infection Control Committee

Dr Teo Sek Khee (*Chairman*)  
 Ms Kartini Sameejan  
 Ms Alice Chan  
 Ms Liu Wei Wei  
 Ms Tan Kin Hong  
 Mr Sahari Ani  
 Ms Tan Chiew Nah  
 Ms Chiam Shure Lee

### Operating Theatre Committee

Dr Eric Teh (*Chairman*)  
 Professor Walter Tan  
 Dr Stephen Lee  
 Dr Thong Pao-Wen  
 Dr Enoch Gan  
 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  
 Ms Annie Pang  
 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 Sathiaselvan Sivanathan  
 Dr Jean Ho  
 Ms Teo Kim Eng  
 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 Chia Puay Choo  
 Mr Jasmail Singh (*Secretary*)

## RafflesMedical

### Medical Board

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

### Pharmaceutical and Therapeutics Committee

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

### Physician Training and Professional Development Committee

Dr Kwan Yew Seng (*Chairman*)  
 Dr Kang Aik Kiang  
 Dr Bina Kurup



# ***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](http://www.rafflesmedical.com)





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# CORPORATE GOVERNANCE

## 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 March 2001 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 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 the 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 report and 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)

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 Professional Qualifications
Dr Loo Choon Yong Age: 56	16/8/1989	Executive/ Non-independent	Chairman	Chairman of Nomination & Compensation Committee and Member of Audit Committee	MBBS (S'pore), MCFP (S'pore), Dip. Cardiac Medicine (London), LLB (Hons) London, Barrister (Middle Temple)
Mr Tan Soo Nan Age: 57	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: 69	19/2/2001	Non-executive/ Independent	Member	Member of Nomination & Compensation 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: 57	27/11/2000	Non-executive/ Independent	Member	Member of Audit Committee and Nomination & Compensation Committee	PhD (Management Systems & Sciences) MBA Cranfield University (UK)  Associate Professor at Nanyang Business School, Nanyang Technological University
Dr David M. Lawrence Age: 65	25/7/1997	Non-executive/ Independent	Member	-	BA degree (Amherst College), MD (University of Kentucky), MPH (University of Washington)



## CORPORATE GOVERNANCE (CONT'D)

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 M. 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 judgment.

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.

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 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.

## CORPORATE GOVERNANCE (CONT'D)

### 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.

### 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	
	2004	2003
S\$500,000 and above	1	1
S\$250,000 to below S\$500,000	-	-
Below S\$250,000	4	4
	5	5

## CORPORATE GOVERNANCE (CONT'D)

Summary compensation table for the year ended 31 December 2004 (Group):

Name of Directors	Salary(1) %	Bonus(2) %	Directors' fees %	Total Compensation %	Share Options Grants(3)	Exercise Price	Date of Expiry
<b>\$S\$500,000 and above</b>							
Dr Loo Choon Yong Executive Chairman	25	75	-	100	-	-	-
<b>Below \$S\$250,000</b>							
Dr David M. Lawrence Non-executive	-	-	100	100	100,000	\$0.42	31/3/09
Mr Tan Soo Nan Non-executive	-	-	100	100	100,000	\$0.42	31/3/09
Associate Professor Wee Beng Geok Non-executive	-	-	100	100	100,000	\$0.42	31/3/09
Professor Lim Pin Non-executive	-	-	100	100	100,000	\$0.42	31/3/09

(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.

#### 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 comprises the Executive Chairman, Dr Loo Choon Yong, and two Independent Directors - Professor Lim Pin and Associate Professor Wee Beng Geok. The Committee, in consultation with the 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. The Executive Chairman of the Group opted not to participate in the Employees' Share Option Scheme. The Committee 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 and scope of audit examination of the external auditors and approves the audit plans of the internal auditors;
- 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;
- 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
- considers other matters as requested by the Board.

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.

### **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.

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## CORPORATE GOVERNANCE (CONT'D)

### **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 before the date of the announcement of the full year, half-year or quarterly results and ending on the date of the announcement of the relevant results.

The Group has complied with the Best Practices Guide issued by the Singapore Exchange.

### **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.

CORPORATE GOVERNANCE (CONT'D)

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.

**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	2	2
Mr Tan Soo Nan	4	4	4	4	-	-
Associate Professor Wee Beng Geok	4	4	4	4	2	2
Dr David M. Lawrence	4	4	-	-	-	-
Professor Lim Pin	4	4	-	-	2	2

# 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 2004.

## DIRECTORS

The Directors in office at the date of this Report are as follows:

Dr Loo Choon Yong  
 Dr David M. 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 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:

The Company	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
	Ordinary Shares of \$0.10 each			
Dr Loo Choon Yong	34,841,999	31,841,999	222,157,000	222,347,000
Dr David M. Lawrence	256,000	256,000	–	–
Mr Tan Soo Nan	50,000	50,000	–	–
Associate Professor Wee Beng Geok	30,000	30,000	–	–
	Options to subscribe for ordinary shares of \$0.10 each			
The Company	At beginning of the year	At end of the year	Option Price Per Share	Date of Grant
Dr David M. Lawrence	250,000	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	\$0.420	1/4/2004
Professor Lim Pin	220,000	220,000	\$0.330	8/4/2002
	200,000	200,000	\$0.285	31/3/2003
	–	100,000	\$0.420	1/4/2004



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 end of the year	Option Price Per Share	Date of Grant
Mr Tan Soo Nan	150,000	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	\$0.420	1/4/2004
Associate Professor Wee Beng Geok	100,000	100,000	\$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	\$0.420	1/4/2004

Immediate Holding Company	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
<b>Raffles Medical Holdings Pte Ltd</b>	<b>Ordinary shares of \$1.00 each</b>			
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.

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.

## DIRECTORS' REPORT (CONT'D)

### Directors' Interests (cont'd)

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 of the financial year or at the end of the financial year.

There was no changes in any of the above mentioned interests in the Company and related corporations between the end of the financial year and 21 January 2005.

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.

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) The Raffles Medical Group Employees' Share Option Scheme ("RMG 1997 Scheme") for the Company was terminated on 31 October 2000. Details of the RMG 1997 Scheme were set out in the Directors' Report for the financial year ended 31 December 1998. The termination of the RMG 1997 Scheme will not affect the subscription rights comprised in options granted pursuant to the RMG 1997 Scheme prior to the termination. Such options will continue to be exercisable in accordance with the rules of the RMG 1997 Scheme. However, no further options will be granted under this scheme.
- (2) 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.
- (3) 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:

Dr Loo Choon Yong

Professor Lim Pin

Associate Professor Wee Beng Geok

Dr Loo Choon Yong is not participating in the schemes.

DIRECTORS' REPORT (CONT'D)

Share Options (cont'd)

Employees' Share Option Scheme (cont'd)

- (4) On 1 April 2004, additional options were granted pursuant to the RMG 2000 Scheme to subscribe for ordinary shares of \$0.10 each at an exercise price of \$0.420 as follows:

	Company
Directors and Executive Directors of the Company and the subsidiaries	1,987,000
Full-time employees	5,813,000
	7,800,000

- (5) As at 31 December 2004, outstanding options to take up shares of \$0.10 each in the Company under the RMG 2000 Scheme were as follows:

	15 Feb 2001	8 April 2002	31 Mar 2003	1 April 2004
Date of grant	15 Feb 2001	8 April 2002	31 Mar 2003	1 April 2004
Exercise price	\$0.430	\$0.330	\$0.285	\$0.420
Expiry date (for employees)	14 Feb 2011	7 April 2012	30 Mar 2013	31 March 2014
Expiry date (for non-employees)	14 Feb 2006	7 April 2007	30 Mar 2008	31 March 2009
Outstanding options as at				
1/1/2004/date of grant	8,906,000	11,692,000	9,043,000	7,800,000
No. of options exercised	–	2,308,000	2,096,000	–
No. of options cancelled/lapsed	380,000	306,000	474,000	726,000
Outstanding options as at				
31/12/2004	8,526,000	9,078,000	6,473,000	7,074,000

- (6) As at 31 December 2004, outstanding options to take up shares of \$0.10 each in the Company under the RMG 1997 Scheme were as follows:

Date of grant	:	9 March 2000
Exercise price*	:	\$0.57
Expiry date	:	8 March 2005
Outstanding options as at 1/1/2004	:	5,091,500
No. of options exercised	:	-
No. of options cancelled/lapsed	:	210,600
Outstanding options as at 31/12/2004	:	4,880,900

\*Adjusted for the Rights Issue on 7 June 2000.

- (7) 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.

## DIRECTORS' REPORT (CONT'D)

**Share Options (cont'd)****Employees' Share Option Scheme (cont'd)**

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

Name of participant	Options granted during the financial year under review	Aggregate options granted since commencement of Scheme to end of the financial year under review	Aggregate options exercised since commencement of Scheme to end of the financial year under review	Aggregate options outstanding as at the end of the financial year under review
<i>Directors of the Company</i>				
Dr David M. Lawrence	100,000	750,000	–	750,000
Professor Lim Pin	100,000	520,000	–	520,000
Mr Tan Soo Nan	100,000	700,000	–	700,000
Associate Professor Wee Beng Geok	100,000	650,000	–	650,000
Total	400,000	2,620,000	–	2,620,000

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

*(a) RMG 1997 Scheme*

Options are exercisable during a period commencing 12 months from the Date of Grant of the options and expiring at the end of 60 months from the Date of Grant.

*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.
- (10) Save as disclosed above, there were no unissued shares of the Company or its subsidiaries under option as at the end of the financial year.
- (11) 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  
Dr Loo Choon Yong, Executive Director  
Associate Professor Wee Beng Geok, Non-executive Director

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

The Audit Committee held four meetings since the last Directors' Report. In performing its functions, the Audit Committee met with the Company's internal and external 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 internal and external auditors;
- 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 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.

## DIRECTORS' REPORT (CONT'D)

**Audit Committee (cont'd)**

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.

**AUDITORS' REMUNERATION**

The Directors have reviewed the quantum and nature of fees, expenses and emoluments paid to the auditors for non-audit services under Section 206(1A) of the Companies Act and are satisfied that the provision of such services does not affect their independence.

**AUDITORS**

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

On behalf of the Board of Directors



**Loo Choon Yong**  
Chairman



**Tan Soo Nan**  
Director

Singapore  
26 February 2005

## STATEMENT BY DIRECTORS

In our opinion:

- (a) the financial statements set out on pages 38 to 70 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 2004 and of the results, changes in equity and cash flows of the Group for the year ended on that date; 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



**Loo Choon Yong**  
Chairman



**Tan Soo Nan**  
Director

Singapore  
26 February 2005

# AUDITORS' REPORT

## REPORT OF THE AUDITORS TO THE MEMBERS OF RAFFLES MEDICAL GROUP LTD

We have audited the accompanying financial statements of Raffles Medical Group Ltd for the year ended 31 December 2004 as set out on pages 38 to 70. These financial statements are the responsibility of the Company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Companies Act, Chapter 50 (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 2004 and of 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 (excluding registers) 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

26 February 2005



## BALANCE SHEETS

as at 31 December 2004

	Note	Group		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	3	19,354	22,283	2,417	2,742
Interests in subsidiaries	4	–	–	73,087	63,087
Interest in jointly controlled entity	5	51,680	50,585	–	–
Unquoted equity investment	6	–	–	–	–
Membership rights, at cost		88	88	68	68
Intangible assets	7	309	360	–	–
Deferred tax assets	8	1,004	1,806	–	–
		<u>72,435</u>	<u>75,122</u>	<u>75,572</u>	<u>65,897</u>
<b>Current assets</b>					
Investment in commercial notes	9	9,500	21,020	1,500	21,020
Inventories		2,568	2,837	804	1,125
Trade and other receivables	10	11,005	15,455	11,284	22,146
Cash and cash equivalents	13	32,181	11,311	28,694	10,030
		<u>55,254</u>	<u>50,623</u>	<u>42,282</u>	<u>54,321</u>
<b>Current liabilities</b>					
Trade and other payables	14	21,956	23,324	11,516	13,159
Interest-bearing liabilities	16	2,076	2,659	1,916	1,997
Current tax payable		2,635	2,555	1,869	2,199
		<u>26,667</u>	<u>28,538</u>	<u>15,301</u>	<u>17,355</u>
<b>Net current assets</b>		<u>28,587</u>	<u>22,085</u>	<u>26,981</u>	<u>36,966</u>
		<u>101,022</u>	<u>97,207</u>	<u>102,553</u>	<u>102,863</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities	8	712	767	175	113
<b>Minority interests</b>		151	148	–	–
<b>Net assets</b>		<u>100,159</u>	<u>96,292</u>	<u>102,378</u>	<u>102,750</u>
<b>Shareholders' equity</b>					
Share capital	17	39,175	38,734	39,175	38,734
Reserves	18	60,984	57,558	63,203	64,016
		<u>100,159</u>	<u>96,292</u>	<u>102,378</u>	<u>102,750</u>

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

# CONSOLIDATED PROFIT AND LOSS ACCOUNTS

Year Ended 31 December 2004

	Note	Group	
		2004 \$'000	2003 \$'000
<b>Revenue</b>		101,456	99,105
Other operating income		990	308
Inventories and consumables used		(11,943)	(12,135)
Staff costs		(56,688)	(56,748)
Depreciation of property, plant and equipment		(2,994)	(3,282)
Other operating expenses		(18,928)	(17,369)
<b>Profit from operations</b>		11,893	9,879
Finance costs		(70)	(91)
Share of profits in a jointly controlled entity		1,188	420
<b>Profit from ordinary activities before taxation</b>	19	13,011	10,208
Income tax expense	20	(2,957)	(2,200)
<b>Profit from ordinary activities after taxation</b>		10,054	8,008
Minority interests		(3)	52
<b>Net profit for the year</b>		10,051	8,060
<b>Earnings per share expressed in cents</b>	21		
Basic		2.58	2.08
Diluted		2.55	2.07

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2004

	Share capital \$'000	Share premium \$'000	Exchange translation reserve \$'000	Accumulated profits \$'000	Total \$'000
<b>At 1 January 2003</b>	38,662	52,990	(269)	2,545	93,928
Issue of 724,000 shares of \$0.10 each at a premium of \$0.23 per share upon the exercise of options under Raffles Medical Group Employees' Share Option Scheme	72	167	—	—	239
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	96	—	96
Net profit for the year	—	—	—	8,060	8,060
Dividend paid of 20% less tax at 22%	—	—	—	(6,031)	(6,031)
<b>At 31 December 2003</b>	<b>38,734</b>	<b>53,157</b>	<b>(173)</b>	<b>4,574</b>	<b>96,292</b>
<b>At 1 January 2004</b>	<b>38,734</b>	<b>53,157</b>	<b>(173)</b>	<b>4,574</b>	<b>96,292</b>
Issue of 4,404,000 shares of \$0.10 each, with 2,308,000 shares at a premium of \$0.23 per share and 2,096,000 shares at a premium of \$0.185 per share upon the exercise of options under Raffles Medical Group Employees' Share Option Scheme	441	918	—	—	1,359
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	261	—	261
Net profit for the year	—	—	—	10,051	10,051
Dividend paid of 25% less tax at 20%	—	—	—	(7,804)	(7,804)
<b>At 31 December 2004</b>	<b>39,175</b>	<b>54,075</b>	<b>88</b>	<b>6,821</b>	<b>100,159</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2004

	Note	2004 \$'000	2003 \$'000
<b>Operating activities</b>			
Profit from ordinary activities before taxation		13,011	10,208
Adjustments for:			
Amortisation of intangible assets		51	57
Depreciation of property, plant and equipment		2,994	3,282
Finance costs		70	91
Foreign exchange loss		237	9
Gain on disposal of property, plant and equipment		(629)	–
Interest income from fixed deposits and commercial notes		(361)	(308)
Loss on disposal of intangible assets		–	29
Property, plant and equipment written off		108	365
Share of profits in a jointly controlled entity		(1,188)	(420)
		<hr/>	<hr/>
Operating profit before working capital changes		14,293	13,313
Changes in working capital:			
Inventories		265	(603)
Trade and other receivables		4,381	(2,400)
Trade and other payables		(1,356)	2,406
		<hr/>	<hr/>
Cash generated from operations		17,583	12,716
Income tax paid		(2,072)	(1,823)
Interest paid		(70)	(91)
		<hr/>	<hr/>
<b>Cash flows from operating activities</b>		15,441	10,802
<b>Investing activities</b>			
Investment in commercial notes		11,520	(1,770)
Interest received		399	321
Purchase of property, plant and equipment		(1,556)	(1,894)
Proceeds from sale of property, plant and equipment		1,987	4
Proceeds from sale of intangible assets		–	18
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>		12,350	(3,321)
<b>Financing activities</b>			
Loan by minority interests		–	160
Proceeds from issue of shares		1,359	279
Dividends paid		(7,804)	(6,031)
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>		(6,445)	(5,592)
		<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>		21,346	1,889
Cash and cash equivalents at beginning of the year		10,649	8,758
<b>Effect of exchange rate changes on cash and cash equivalents held in foreign currency</b>		26	2
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year</b>	13	32,021	10,649

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



# NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of these financial statements.

The financial statements were authorised for issue by the Directors on 26 February 2005.

## 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 Hospital
- 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 4 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 are prepared in accordance with Singapore Financial Reporting Standards (FRS) including related Interpretations promulgated by the Council on Corporate Disclosure and Governance.

The historical cost basis is used except that certain investments in debt securities are stated at market value. Amounts are expressed in Singapore dollars, unless stated otherwise.

### 2.2 Measurement currency

The measurement currency of the Company is the Singapore dollars. 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 dollars reflects the economic substance of the underlying events and circumstances relevant to the Company.

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## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**2 Summary of Significant Accounting Policies (cont'd)****2.3 Basis of 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 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 impairment losses. In the Group's financial statements, they are accounted for using the equity method of accounting.

**2.4 Foreign currencies***Foreign currency transactions*

Monetary assets and liabilities in foreign currencies, except where these are hedged by forward exchange contracts, are translated into Singapore dollars at rates of exchange approximate to those ruling at the balance sheet date. Transactions in foreign currencies are translated at rates ruling on transaction dates. Translation differences are included in the profit and loss account.

*Foreign entities*

The assets and liabilities of foreign entities are translated to Singapore dollars at the rates of exchange ruling at the balance sheet date. The results of foreign entities are translated at the average exchange rates for the year. Exchange differences arising on translation are recognised directly in equity.

**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, and major components that are accounted for separately, over their estimated useful lives as follows:

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2 Summary of Significant Accounting Policies (cont'd)

#### 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 profit and loss account on a straight line basis over its estimated useful life of 10 years.

##### *Goodwill*

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is stated at cost less accumulated amortisation and impairment losses. In respect of jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the investment in the jointly controlled entities. Goodwill is amortised and recognised in the profit and loss account on a straight line basis over its estimated useful life of 20 years.

#### 2.7 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.

#### 2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

#### 2.9 Financial assets

Debt and equity securities held for the long term are stated at amortised cost less an allowance for diminution in value, which, in the opinion of the directors, is other than temporary.

Debt securities held for the short term are stated at market value. Any increases or decreases in the carrying amount are included in the profit and loss account.

#### 2.10 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is charged to the profit and loss account.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

#### 2.11 Employee share options

No compensation cost or obligation is recognised when share options are issued under employee incentive programmes. When the options are exercised, equity is increased by the amount of the proceeds received.

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## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**2 Summary of Significant Accounting Policies (cont'd)****2.12 Liabilities and interest-bearing borrowings**

Trade and other payables are recognised at cost. Interest-bearing liabilities are recognised initially at cost less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost using the effective interest method.

**2.13 Deferred tax**

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future.

**2.14 Revenue recognition***Service revenue*

Revenue is recognised upon provision of healthcare and hospital services.

*Rental income from operating leases*

Rental income receivable under operating leases is recognised in the profit and loss account 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.

**2.15 Operating leases**

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

**2.16 Finance costs**

Interest expense and similar charges are expensed in the profit and loss account in the period in which they are incurred, 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.

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 2004	9,029	13,504	2,593	787	532	3,106	3,291	1,698	34,540
Translation differences on consolidation	-	(21)	-	(3)	-	-	(27)	-	(51)
Additions	-	586	65	16	345	237	287	20	1,556
Disposals	-	(151)	(790)	(61)	(298)	(299)	(641)	(548)	(2,788)
At 31 December 2004	9,029	13,918	1,868	739	579	3,044	2,910	1,170	33,257
<b>Accumulated depreciation</b>									
At 1 January 2004	666	5,256	1,085	395	212	2,581	1,648	414	12,257
Translation differences on consolidation	-	(10)	(1)	(3)	-	-	(12)	-	(26)
Depreciation charge for the year	190	1,371	210	65	56	429	507	166	2,994
Disposals	-	(76)	(305)	(29)	(149)	(294)	(286)	(183)	(1,322)
At 31 December 2004	856	6,541	989	428	119	2,716	1,857	397	13,903
<b>Carrying amount</b>									
At 31 December 2004	8,173	7,377	879	311	460	328	1,053	773	19,354
At 31 December 2003	8,363	8,248	1,508	392	320	525	1,643	1,284	22,283

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3 Property, Plant and Equipment (cont'd)

Company	Medical equipment \$'000	Furniture and fittings \$'000	Office equipment \$'000	Motor vehicles \$'000	Computers \$'000	Renovations \$'000	Total \$'000
<b>Cost</b>							
At 1 January 2004	911	1,195	569	477	1,788	2,225	7,165
Additions	86	30	12	345	197	241	911
Disposals	(20)	(162)	(26)	(298)	(315)	(264)	(1,085)
At 31 December 2004	977	1,063	555	524	1,670	2,202	6,991
<b>Accumulated depreciation</b>							
At 1 January 2004	576	634	282	207	1,450	1,274	4,423
Depreciation charge for the year	65	89	47	50	290	307	848
Disposals	(16)	(93)	(15)	(149)	(307)	(117)	(697)
At 31 December 2004	625	630	314	108	1,433	1,464	4,574
<b>Carrying amount</b>							
At 31 December 2004	352	433	241	416	237	738	2,417
At 31 December 2003	335	561	287	270	338	951	2,742



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 Net book value	
			2004 \$'000	2003 \$'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	1,073	1,098
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	308	315
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	727	745
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	1,492	1,528
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	1,864	1,907
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	1,164	1,191

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**3 Property, Plant and Equipment (cont'd)**  
*Leasehold Properties (cont'd)*

Description/Location	Gross Floor Area (sq m)	Tenure	Group Net book value	
			2004 \$'000	2003 \$'000
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	623	637
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	922	942
			8,173	8,363

**4 INTERESTS IN SUBSIDIARIES**

	Company	
	2004 \$'000	2003 \$'000
The interests in subsidiaries comprise:		
Investments in subsidiaries	16,077	6,077
Amounts due from subsidiaries (mainly non-trade)	57,010	57,010
	73,087	63,087

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 12 months.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4 Interests in Subsidiaries (cont'd)

Details of subsidiaries are as follows:

Name of Subsidiary	Principal activities	Country of incorporation/ Place of business	Effective equity interest held by the Group	
			2004 %	2003 %
* Raffles Hospital Pte Ltd	Provision of general and specialised medical services and operation of a hospital	Singapore	100	100
* Raffles Diagnostica Pte Ltd	Operation of medical laboratory and imaging centre	Singapore	100	100
* Raffles Medical Properties Pte Ltd	Investment holding	Singapore	100	100
* Raffles International Medical Assistance Pte Ltd	Provision of medical evacuation and repatriation and provision of medical advisory services (currently inactive)	Singapore	100	100
* Raffles Medical Management Pte Ltd	Provision of business management and consultancy services (currently inactive)	Singapore	100	100
* Raffles SurgiCentre Pte Ltd	Provision of general and specialised medical services and operation of a hospital (currently inactive)	Singapore	100	100
* Raffles Japanese Clinic Pte Ltd	Operation of medical clinics and provision of medical services	Singapore	80	80
* Raffles Health Pte Ltd	Trading in pharmaceutical and nutraceutical products and diagnostic equipment	Singapore	100	100
* Aptitude (2003) Pte Ltd	Provision of advisory and consultancy services and developing IT solutions	Singapore	100	100
* Raffles Medical International Pte Ltd and its subsidiary:	Investment holding	Singapore	100	100

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**4 Interests in Subsidiaries (cont'd)**

Details of subsidiaries are as follows:

Name of Subsidiary	Principal activities	Country of incorporation/ Place of business	Effective equity interest held by the Group	
			2004 %	2003 %
- #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
- #Coors Consultants Limited	Provision of management services to medical practitioners and the trading of medicine on an indent basis (currently inactive)	Singapore	100	100
^ International Medical Insurers Pte Ltd	Provision of health insurance	Singapore	100	—

\* Audited by KPMG Singapore.

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

^ Not yet required to be audited.

**5 INTEREST IN JOINTLY CONTROLLED ENTITY**

	Group	
	2004 \$'000	2003 \$'000
Investment at cost:		
- Ordinary shares	4,800	4,800
- Redeemable preference shares	51,570	51,570
Share of post-acquisition losses	(4,690)	(5,785)
	<u>51,680</u>	<u>50,585</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5 Interest in Jointly Controlled Entity (cont'd)

Details of the jointly controlled entity are as follows:

Name of jointly controlled entity	Principal activity	Place of incorporation and business	Effective equity interest held by the Group	
			2004 %	2003 %
* CapitaLand-Raffles Properties Pte Ltd	Property owner	Singapore	50	50

\* Audited by KPMG Singapore.

The Group's share of CapitaLand-Raffles Properties Pte Ltd's results, assets and liabilities is as follows:

	2004 \$'000	2003 \$'000
<b>Results</b>		
Revenue	2,886	2,367
Expenses	(1,698)	(1,947)
Profit before taxation	1,188	420
Taxation	(93)	570
Profit after taxation	1,095	990
<b>Assets and liabilities</b>		
Non-current assets	95,476	95,570
Current assets	2,090	2,976
Current liabilities	(1,559)	(1,884)
Non-current liability	(44,327)	(46,077)

6 UNQUOTED EQUITY INVESTMENT

	Group and Company	
	2004 \$'000	2003 \$'000
Unquoted shares, at cost	–	700
Write down of investment	–	(700)
	–	–

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**7 INTANGIBLE ASSETS**

	Group	
	2004	2003
	\$'000	\$'000
Assignment fees	612	690
Disposal	–	(78)
	612	612
Accumulated amortisation:		
At 1 January	252	226
Disposal	–	(31)
Amortisation charge for the year	51	57
	303	252
At 31 December	303	252
Carrying amount	309	360

**8 DEFERRED TAX**

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

Group	At 1 January 2004 \$'000	Charged/ (credited) to profit and loss account (note 20) \$'000	Exchange differences \$'000	At 31 December 2004 \$'000
<b>Deferred tax liabilities</b>				
Property, plant and equipment	2,287	(555)	–	1,732
<b>Deferred tax assets</b>				
Tax value of losses carried forward	(1,275)	353	–	(922)
Tax value of unabsorbed wear and tear allowances	(1,621)	801	–	(820)
Other items	(430)	114	34	(282)
	(3,326)	1,268	34	(2,024)



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8 Deferred Tax (cont'd)

Company	At 1 January 2004 \$'000	Charged/ (credited) to profit and loss account \$'000	At 31 December 2004 \$'000
<b>Deferred tax liabilities</b>			
Property, plant and equipment	356	(88)	268
<b>Deferred tax assets</b>			
Other items	(243)	150	(93)

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 taxation authority. The amounts determined after appropriate offsetting are included in the balance sheet as follows:

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Deferred tax liabilities	712	767	175	113
Deferred tax assets	(1,004)	(1,806)	-	-
	(292)	(1,039)	175	113

The following temporary differences have not been recognised:

	Group	
	2004 \$'000	2003 \$'000
Tax losses	1,015	3,103

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**9 INVESTMENT IN COMMERCIAL NOTES**

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Current investment - market value</b>				
Investment in commercial notes	9,500	21,020	1,500	21,020

The effective interest rate per annum relating to investment in commercial notes at balance sheet date for the Group and Company are 1.62% (2003: 1.34%) and 1.59% (2003: 1.34%) respectively.

Interest rates reprice at intervals of three months.

**10 TRADE AND OTHER RECEIVABLES**

	Note	Group		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Trade receivables	11	8,543	13,134	5,318	9,921
Deposits, prepayments and other receivables	12	2,279	2,281	1,642	1,335
Amounts due from:					
- Subsidiaries:					
- trade		-	-	1,435	7,673
- non-trade (see note below)		-	-	2,888	3,216
- Related parties:					
- trade		183	40	1	1
		<u>11,005</u>	<u>15,455</u>	<u>11,284</u>	<u>22,146</u>
Amounts due from subsidiaries:					
- non-trade		-	-	4,988	5,316
Allowance for doubtful receivables		-	-	(2,100)	(2,100)
Net receivables		<u>-</u>	<u>-</u>	<u>2,888</u>	<u>3,216</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**11 TRADE RECEIVABLES**

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Trade receivables	10,071	15,067	5,912	11,129
Allowance for doubtful receivables	(1,528)	(1,933)	(594)	(1,208)
Net receivables	8,543	13,134	5,318	9,921

**12 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Deposits	661	957	504	498
Prepayments	635	529	480	294
Loans to directors				
- Directors of subsidiaries	565	372	548	329
Staff loan	131	160	79	142
Other receivables	287	263	31	72
	2,279	2,281	1,642	1,335

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.

**13 CASH AND CASH EQUIVALENTS**

	Note	Group		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Fixed deposits		30,280	9,600	28,280	9,600
Cash and bank balances		1,901	1,711	414	430
Unsecured bank overdrafts	16	32,181 (160)	11,311 (662)	28,694 -	10,030 -
		32,021	10,649	28,694	10,030

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 1.18% (2003: 0.50%) and 1.18% (2003: 0.50%) respectively.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**14 TRADE AND OTHER PAYABLES**

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Trade payables	8,070	9,482	2,590	3,450
Accrued operating expenses	13,006	13,147	7,640	8,477
Amounts due to:				
- Subsidiaries:				
- trade	–	–	160	276
- non-trade	–	–	714	715
- Related parties:				
- trade	45	45	45	45
Other payables	835	650	367	196
	<u>21,956</u>	<u>23,324</u>	<u>11,516</u>	<u>13,159</u>

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

**15 EQUITY COMPENSATION BENEFITS**

The Raffles Medical Group Employees' Share Option Scheme ("RMG 1997 Scheme") for the Company which was approved and adopted in 1997 was terminated on 31 October 2000. The termination of the RMG 1997 Scheme will not affect the subscription rights comprised in options granted pursuant to the RMG 1997 Scheme prior to the termination. Such options will continue to be exercisable in accordance with the rules of the RMG 1997 Scheme. 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, Dr Loo Choon Yong, Professor Lim Pin and Associate Professor Wee Beng Geok.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**15 Equity Compensation Benefits (cont'd)**

Other statutory information regarding the Schemes are set out below:

RMG 1997 Scheme

- (i) 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.
- (ii) The options vest 1 year after the grant date.
- (iii) The options granted expire after 5 years from the grant date unless they are cancelled or have lapsed.

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)

## 15 Equity Compensation Benefits (cont'd)

## Equity compensation benefits

As at the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of \$0.10 each of the Company are as follows:

Date of Grant of options	Exercise price	Number of options outstanding 1 Jan 2004	Options granted	Options exercised	Options Cancelled /lapsed	Number of options outstanding 31 Dec 2004	Proceeds on option exercised		Market price of shares at date of issue pursuant to the Scheme	Exercise period
							Credited to share capital	Credited to share premium		
9/3/2000	\$0.570	5,091,500	-	-	210,600	4,880,900	-	-	\$0.670 to \$0.680	9/3/01 to 8/3/05
15/2/2001	\$0.430	7,746,000	-	-	380,000	7,366,000	-	-	\$0.440	15/2/02 to 14/2/11
15/2/2001	\$0.430	610,000	-	-	-	610,000	-	-	\$0.440	15/2/03 to 14/2/11
15/2/2001	\$0.430	500,000	-	-	-	500,000	-	-	\$0.440	15/2/02 to 14/2/06
15/2/2001	\$0.430	50,000	-	-	-	50,000	-	-	\$0.440	15/2/03 to 14/2/06
8/4/2002	\$0.330	7,593,000	-	1,673,000	306,000	5,614,000	167,300	384,790	\$0.340	8/4/03 to 7/4/12
8/4/2002	\$0.330	1,706,000	-	635,000	-	1,071,000	63,500	146,050	\$0.340	8/4/04 to 7/4/12
8/4/2002	\$0.330	1,258,000	-	-	-	1,258,000	-	-	\$0.340	8/4/05 to 7/4/12
8/4/2002	\$0.330	595,000	-	-	-	595,000	-	-	\$0.340	8/4/03 to 7/4/07
8/4/2002	\$0.330	420,000	-	-	-	420,000	-	-	\$0.340	8/4/04 to 7/4/07
8/4/2002	\$0.330	120,000	-	-	-	120,000	-	-	\$0.340	8/4/05 to 7/4/07
31/3/2003	\$0.285	6,593,000	-	2,096,000	424,000	4,073,000	209,600	387,760	\$0.285	31/3/04 to 30/3/13
31/3/2003	\$0.285	1,100,000	-	-	50,000	1,050,000	-	-	\$0.285	31/3/05 to 30/3/13
31/3/2003	\$0.285	260,000	-	-	-	260,000	-	-	\$0.285	31/3/06 to 30/3/13
31/3/2003	\$0.285	690,000	-	-	-	690,000	-	-	\$0.285	31/3/04 to 30/3/08
31/3/2003	\$0.285	400,000	-	-	-	400,000	-	-	\$0.285	31/3/05 to 30/3/08
1/4/2004	\$0.420	-	6,813,000	-	721,000	6,092,000	-	-	\$0.420	1/4/05 to 31/3/14
1/4/2004	\$0.420	-	520,000	-	-	520,000	-	-	\$0.420	1/4/06 to 31/3/14
1/4/2004	\$0.420	-	467,000	-	5,000	462,000	-	-	\$0.420	1/4/05 to 31/3/09
		34,732,500	7,800,000	4,404,000	2,096,600	36,031,900	440,400	918,600		



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15 Equity Compensation Benefits (cont'd)

Movements of share options vested:

Date of Grant of options	Number of options vested as at 1 Jan 2004	Number of options vested in 2004	Number of options exercised in 2004	Number of options cancelled /lapsed in 2004	Number of options vested as at 31 Dec 2004	Exercise period
9/3/2000	5,091,500	–	–	(210,600)	4,880,900	9/3/01 to 8/3/05
15/2/2001	7,746,000	–	–	(380,000)	7,366,000	15/2/02 to 14/2/11
15/2/2001	610,000	–	–	–	610,000	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	7,593,000	–	(1,673,000)	(306,000)	5,614,000	8/4/03 to 7/4/12
8/4/2002	–	1,706,000	(635,000)	–	1,071,000	8/4/04 to 7/4/12
8/4/2002	595,000	–	–	–	595,000	8/4/03 to 7/4/07
8/4/2002	–	420,000	–	–	420,000	8/4/04 to 7/4/07
31/3/2003	–	6,593,000	(2,096,000)	(424,000)	4,073,000	31/3/04 to 31/3/13
31/3/2003	–	690,000	–	–	690,000	31/3/04 to 31/3/08
	22,185,500	9,409,000	(4,404,000)	(1,320,600)	25,869,900	

16 INTEREST-BEARING LIABILITIES

	Note	Group		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Unsecured bank overdrafts	13	160	662	–	–
Unsecured bank loan		1,916	1,997	1,916	1,997
		2,076	2,659	1,916	1,997

The bank loans have an effective interest rate of 2.61% (2003: 3.1%) per annum.

The bank overdrafts have an effective interest rate of 6.34% (2003: 5.87%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**17 SHARE CAPITAL**

	Company	
	2004	2003
	\$'000	\$'000
Authorised:		
500,000,000 ordinary shares of \$0.10 each	50,000	50,000
Issued and fully paid:		
391,747,999 (2003: 387,343,999) ordinary shares of \$0.10 each fully paid	39,175	38,734
Unissued ordinary shares of \$0.10 each of the Company under options granted to eligible directors and employees under the Company's Employees' Share Option Schemes are disclosed in Note 15.		

**18 RESERVES**

	Group		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Share premium	54,075	53,157	54,075	53,157
Exchange translation reserve	88	(173)	–	–
Accumulated profits	6,821	4,574	9,128	10,859
	60,984	57,558	63,203	64,016

The application of the share premium account is governed by Section 69 of the Singapore Companies Act, Chapter 50.

The exchange translation reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities whose measurement currency is different from that of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**19 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION**

The following items have been included in arriving at profit from ordinary activities before taxation:

	Group	
	2004	2003
	\$'000	\$'000
Amortisation expense	51	57
Bad debts written off	–	67
Contributions to defined contribution plans included in staff costs	3,973	4,788
Directors' remuneration included in staff costs:		
- the Company	2,161	1,834
- the subsidiaries	3,971	3,254
Directors' fees:		
- the Company	110	110
- the subsidiaries	20	20
Foreign exchange loss	237	9
Gain on disposal of property, plant and equipment	(629)	–
Interest income from fixed deposits and commercial notes	(361)	(308)
Interest paid and payable on:		
- Bank loans	50	62
- Bank overdrafts	20	29
Inventories written off	–	613
Loss on disposal of intangible assets	–	29
Non-audit fees paid to auditors of the Company	64	14
Operating lease expense	8,486	7,447
Property, plant and equipment written off	108	365
	<hr/>	<hr/>
Number of employees as at 31 December	997	1,160
	<hr/>	<hr/>

**20 INCOME TAXES**

		Group	
	Note	2004	2003
		\$'000	\$'000
<b>Current tax expense</b>			
Current year		2,132	2,453
Underprovided in prior years		19	13
		<hr/>	<hr/>
		2,151	2,466
<b>Deferred tax expense</b>			
Movements in temporary differences		307	(21)
Reversal of deferred tax asset		350	405
Reduction/(Increase) in tax rate		56	(80)
		<hr/>	<hr/>
	8	713	304
		<hr/>	<hr/>
Share of tax of jointly controlled entity		93	(570)
		<hr/>	<hr/>
Income tax expense		2,957	2,200
		<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**20 Income Taxes (cont'd)**

	Group	
	2004	2003
	\$'000	\$'000
<b>Reconciliation of effective tax rate</b>		
Profit before tax	13,011	10,208
Income tax using Singapore corporate tax rate of 20% (2003: 22%)	2,602	2,245
Effect of different tax rates in other countries	10	27
Effect of reduction/(increase) in tax rate on temporary differences	108	(80)
Expenses not deductible for tax purposes	165	316
Income not subject to tax	(241)	(252)
Utilisation of previously unrecognised deferred tax assets	–	(186)
Underprovided in prior years	19	13
Recognition of unrecognised deferred tax assets in respect of prior years	–	(504)
Effect of unrecognised tax losses	–	164
Reversal of deferred tax in respect of prior years	350	405
Others	(56)	(52)
	<u>2,957</u>	<u>2,200</u>

**21 EARNINGS PER SHARE**

The basic earnings per share is based on consolidated profit after tax of \$10,051,000 (2003: \$8,060,000) and weighted average of 390,040,185 (2003: 386,875,556) shares.

In calculating the diluted earnings per share, the weighted average number of ordinary shares is adjusted for the effect of all dilutive potential ordinary shares. The adjusted weighted average number of shares is as follows:

	2004	2003
	\$'000	\$'000
Weighted average number of shares used in calculation of basic earnings per share	390,040	386,876
Weighted average number of shares under options that would have been issued at fair value	3,971	2,733
Weighted average number of shares used in calculation of diluted earnings per share	<u>394,011</u>	<u>389,609</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22 COMMITMENTS

**Operating lease commitments**

At 31 December 2004, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Payable:				
- Within 1 year	9,263	9,782	3,068	3,872
- After 1 year but within 5 years	10,911	19,822	2,640	5,504
	<u>20,174</u>	<u>29,604</u>	<u>5,708</u>	<u>9,376</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.

**Sub-lease receivables**

At 31 December 2004, the Group has future minimum sub-lease income receivable under non-cancellable operating leases as follows:

	2004 \$'000	2003 \$'000
Receivable:		
- Within 1 year	1,089	1,006
- After 1 year but within 5 years	1,468	413
	<u>2,557</u>	<u>1,419</u>

**Proposed dividends**

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

	2004 \$'000	2003 \$'000
Final and special dividends proposed of 1.5 cents and 1.0 cent (2003: 1.5 cents and 1.0 cent respectively) respectively per share less tax at 20% (2003: 22%)	<u>7,835</u>	<u>7,747</u>

These dividends have not been provided for.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**23 SIGNIFICANT RELATED PARTIES TRANSACTIONS**

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.

During the year, the Group had the following significant transaction with a related party as follows:-

	2004	2003
	\$'000	\$'000
Operating lease expense	5,777	4,707

**24 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.

**Interest rate risk**

The Group's exposure to interest rate risk relates primarily to bank facilities and commercial papers with financial institutions. 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 in Singapore dollars, the Group ensures that the net exposure to currency fluctuation is kept to an acceptable level.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 24 Financial Instruments (cont'd)

#### Fair value

##### *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 market value of investment in commercial notes as disclosed in Note 9 represent their fair value.

It is not practical to estimate the fair values of unquoted investments because of a lack of quoted market prices and the difficulty of obtaining a reliable or similar financial instrument for any comparison or estimation to be made. Management believes that the carrying amounts recorded at balance sheet date reflect the corresponding fair value.

### 25 CONTINGENT LIABILITIES (SECURED)

As at 31 December 2004, the Company has given to banks guarantees (secured) amounting to \$45,577,000 (2003: \$46,827,000) in respect of credit facilities extended to a jointly controlled entity.

### 26 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 an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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.

#### **Business Segments**

The Group comprises the following main business segments:

Healthcare services : The operations of medical clinics and other general medical services; 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)

## 26 Segment Reporting (cont'd)

**Business Segments**

	Healthcare services \$'000	Hospital services \$'000	Investment holdings \$'000	Eliminations \$'000	Consolidated \$'000
<b>2004</b>					
<b>Revenue and expenses</b>					
Total revenue from external customers	54,888	46,491	77	–	101,456
Inter-segment revenue	38	3,579	506	(4,123)	–
	<u>54,926</u>	<u>50,070</u>	<u>583</u>	<u>(4,123)</u>	<u>101,456</u>
Segment results	<u>6,882</u>	<u>4,735</u>	<u>276</u>	<u>–</u>	<u>11,893</u>
Finance costs					(70)
Share of profits in a jointly controlled entity	–	–	1,188	–	1,188
Income tax expense					(2,957)
Minority interests					<u>(3)</u>
Net profit for the year					<u>10,051</u>
<b>Other segment information</b>					
Capital expenditure	<u>926</u>	<u>634</u>	<u>–</u>	<u>(4)</u>	<u>1,556</u>
Depreciation expense	<u>1,080</u>	<u>1,724</u>	<u>190</u>	<u>–</u>	<u>2,994</u>
Amortisation expense	<u>–</u>	<u>–</u>	<u>51</u>	<u>–</u>	<u>51</u>
Other non-cash expenses/(income)	<u>(441)</u>	<u>127</u>	<u>–</u>	<u>–</u>	<u>(314)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26 Segment Reporting (cont'd)

Business Segments (cont'd)

	Healthcare services \$'000	Hospital services \$'000	Investment holdings \$'000	Eliminations \$'000	Consolidated \$'000
<b>2003</b>					
<b>Revenue and expenses</b>					
Total revenue from external customers	61,486	37,518	101	–	99,105
Inter-segment revenue	17	3,016	506	(3,539)	–
	<u>61,503</u>	<u>40,534</u>	<u>607</u>	<u>(3,539)</u>	<u>99,105</u>
Segment results	<u>8,241</u>	<u>1,360</u>	<u>278</u>	<u>–</u>	<u>9,879</u>
Finance costs					(91)
Share of profits in a jointly controlled entity	–	–	420	–	420
Income tax expense					(2,200)
Minority interests					<u>52</u>
Net profit for the year					<u>8,060</u>
<b>Other segment information</b>					
Capital expenditure	<u>951</u>	<u>996</u>	<u>–</u>	<u>(53)</u>	<u>1,894</u>
Depreciation expense	<u>1,116</u>	<u>1,975</u>	<u>191</u>	<u>–</u>	<u>3,282</u>
Amortisation expense	<u>–</u>	<u>–</u>	<u>57</u>	<u>–</u>	<u>57</u>
Other non-cash expenses	<u>548</u>	<u>332</u>	<u>48</u>	<u>–</u>	<u>928</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 26 Segment Reporting (cont'd)

## Business Segments (cont'd)

	Healthcare services \$'000	Hospital services \$'000	Investment holdings \$'000	Eliminations \$'000	Consolidated \$'000
<b>2004</b>					
<b>Assets and liabilities</b>					
Segment assets	129,906	22,981	8,571	(86,453)	75,005
Interest in jointly controlled entity	–	–	51,680	–	51,680
Deferred tax assets					1,004
Total assets					<u>127,689</u>
Segment liabilities	22,564	10,465	63,647	(72,644)	24,032
Current and deferred tax liabilities					3,347
Total liabilities					<u>27,379</u>
<b>2003</b>					
<b>Assets and liabilities</b>					
Segment assets	122,628	25,120	8,734	(83,128)	73,354
Interest in jointly controlled entity	–	–	50,585	–	50,585
Deferred tax assets					1,806
Total assets					<u>125,745</u>
Segment liabilities	24,165	17,154	63,976	(79,312)	25,983
Current and deferred tax liabilities					3,322
Total liabilities					<u>29,305</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26 Segment Reporting (cont'd)

**Geographical Segments**

	Singapore \$'000	Hong Kong \$'000	Consolidated \$'000
<b>2004</b>			
Total revenue from external customers	97,597	3,859	101,456
Segment assets	73,808	1,197	75,005
Capital expenditure	1,547	9	1,556
<b>2003</b>			
Total revenue from external customers	95,408	3,697	99,105
Segment assets	71,826	1,528	73,354
Capital expenditure	1,779	115	1,894

## SHAREHOLDINGS STATISTICS

as at 7 March 2005

### Share Capital

Authorised share capital	-	S\$50,000,000
Issued and fully paid-up	-	S\$39,257,699.90
Class of shares	-	Ordinary shares of S\$0.10 each
Voting rights	-	1 vote per ordinary share

### Shareholdings Held in Hands of Public

Based on information available to the Company as at 7 March 2005, approximately 35.17% 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	39	0.45	17,253	0.01
1,000 - 10,000	6,983	80.24	27,213,827	6.93
10,001 - 1,000,000	1,660	19.08	57,005,423	14.52
1,000,001 and above	20	0.23	308,340,496	78.54
	8,702	100.00	392,576,999	100.00

SHAREHOLDINGS STATISTICS (CONT'D)

**SUBSTANTIAL SHAREHOLDERS**

Name	Direct Interest	%	Deemed Interest	%
Dr Loo Choon Yong	31,841,999	8.22	222,347,000	56.64
Raffles Medical Holdings Pte Ltd	205,907,000	53.12		

**TOP 20 SHAREHOLDERS**

No.	Name	No. of Shares	%
1	Oversea Union Bank Nominees Pte Ltd	80,000,000	20.38
2	Raffles Medical Holdings Pte Ltd	78,390,000	19.97
3	DBS Nominees Pte Ltd	57,978,700	14.77
4	Loo Choon Yong	24,892,999	6.34
5	Lu Qing Hui	16,000,000	4.07
6	HSBC (Singapore) Nominees Pte Ltd	10,759,000	2.74
7	United Overseas Bank Nominees Pte Ltd	9,875,597	2.51
8	Citibank Nominees Singapore Pte Ltd	4,178,000	1.06
9	HL Bank Nominees (S) Pte Ltd	4,100,000	1.04
10	OCBC Nominees Singapore Pte Ltd	4,074,400	1.04
11	Tan Tiang Lee	2,300,000	0.59
12	Yii Hee Seng	2,237,000	0.57
13	Hong Leong Finance Nominees Pte Ltd	2,229,100	0.57
14	SBS Nominees Pte Ltd	1,957,500	0.50
15	Yang Ching Yu	1,860,000	0.47
16	UOB Kay Hian Pte Ltd	1,812,200	0.46
17	Kwok Wai Ling	1,792,000	0.46
18	Goh Ah Hoe	1,683,000	0.43
19	Shek Chee Keong	1,126,000	0.29
20	Teh Lim Song	1,095,000	0.28
		308,340,496	78.54



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 16th Annual General Meeting of the Company will be held at 585 North Bridge Road, Raffles Hospital #11-00, Singapore 188770 on Friday, 22 April 2005 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 2004. (Resolution 1)
  
2. To approve the payment of a first and final dividend of 15% less tax for the year ended 31 December 2004. (Resolution 2)
  
3. To approve the payment of a special dividend of 10% less tax for the year ended 31 December 2004. (Resolution 3)
  
4. To approve Directors' fees (\$110,000) for the year ended 31 December 2004 (2003: \$110,000). (Resolution 4)
  
5. To re-elect the following Director who is retiring under Article 97 of the Articles of Association of the Company:
  - 5.1 Associate Professor Wee Beng Geok  
 Subject to her re-election, Associate Professor Wee Beng Geok who is an Independent Director for the purpose of Clause 704 (8) of the Listing Manual of the Singapore Exchange Securities Trading Limited will be reappointed as a Member of the Audit Committee and Nomination & Compensation Committee. (Resolution 5)
  
6. To re-appoint KPMG as Auditors and authorise Directors to fix their remuneration. (Resolution 6)

### AS SPECIAL BUSINESS

7. 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

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

“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 7)

8. 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 percent of the total issued share capital of the Company from time to time.

(Resolution 8)

9. 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 28 April 2005, 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 p.m. on 27 April 2005 be registered to determine shareholders’ entitlement to the proposed dividend. The proposed first and final dividend and the special dividend if approved at the Annual General Meeting will be paid on 12 May 2005.

**BY ORDER OF THE BOARD**

**Moiz Tyebally**  
**Company Secretary**  
**Singapore, 25 March 2005**

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.

# PROXY FORM

## 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 Friday 22 April 2005 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.		FOR	AGAINST
	<b>ORDINARY BUSINESS</b>		
1	Adoption of Report and Accounts (Resolution 1)		
2	Declaration of Dividend (Resolution 2)		
3	Declaration of Special Dividend (Resolution 3)		
4	Approval of Directors' Fees (Resolution 4)		
5	Re-election of the following Director in accordance with Article 97 of the Articles of Association of the Company 5.1 Associate Professor Wee Beng Geok (Resolution 5)		
6	Re-appointment of KPMG as Auditors (Resolution 6)		
	<b>SPECIAL BUSINESS</b>		
7	Authority to issue shares up to 50% of issued capital (Resolution 7)		
8	Authority to offer and grant options in accordance with the Raffles Medical Group (2000) Share Option Scheme (Resolution 8)		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2005

Total Number of Shares Held

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\_\_\_\_\_  
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 authorize by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the 16<sup>th</sup> Annual General Meeting, in accordance with Section 161 of the Companies Act, Cap. 50 of Singapore.

*3rd Fold Here*

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.