

We care as ONE

ANNUAL REPORT 2010





One Vision, One Passion, One Heart

For 31 years, a strong culture of dedicated team-based care, service and innovation has enabled Thomson Medical Centre to differentiate itself, earning widespread recognition as hospital of choice for women and children.

With tenacity, passion and commitment to a shared vision, we endeavour as one in developing lasting partnerships with our patients and their families; and we succeed as one in delivering quality care and service through our Thomson Touch.

We are **THOMSON MEDICAL CENTRE**

We care as ONE

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Working as ONE team in aspiring for excellence

The service excellence Thomson Medical has become synonymous with stems from our shared vision and concerted passion to make the journey to motherhood meaningful for our patients and their families.





Sharing ONE passion to touch our patients' lives

We believe it is the combined efforts and enthusiasm of our people that continue to spell the difference we make with our patients. United, not only are we able to relate with patients better but also earn their trust.



Embracing ONE vision to surpass our own benchmarks

While Thomson Medical Centre has reached many milestones throughout the years, we have never lost sight of our founding commitment to grow as an organisation and as a healthcare provider.

Our Vision

To be a leading healthcare provider for women and children.

Our Mission

We celebrate life with our patients and their families by being an innovator of services that are unique, relevant and integrated, and delivered through our Thomson Touch.



Our Core Values

Our core values reflect what is truly important to us as an organisation.

I C A R E

INTEGRITY

We serve with the highest standards of ethical conduct.

COMMITMENT

We are committed to contributing our best to society and the organisation and achieving service excellence.

ACCOUNTABILITY

We take ownership and responsibility for our actions.

RESPECT

We treat our customers with respect and dignity.
We learn from those more knowledgeable than us.

EMPATHY

We care for our patients, doctors, customers and staff.
Of paramount importance is their well-being and we will always respond with compassion.

Our Brand Promise

Through our Thomson Touch, we aim to build long-term relationships.

We believe in being life partners with our patients and their families.

Our brand promise is to:

D E L I V E R

DELIGHT

Delighting by exceeding expectations

EMPATHISE

Caring with compassion

LEARN

Learning and adopting the best practices

INNOVATE

Creating unique, relevant and integrated services

VALUE ADD

Providing outstanding services at affordable prices

EMPOWER

Equipping customers to manage their health effectively

RESPECT

Treating customers with respect and dignity

Chairman's Statement

Our success and achievements are a clear testimony of the strong and loyal support from our patients, the immense dedication and commitment of our highly experienced team of doctors, nurses, healthcare professionals and our management staff. I would also like to pay tribute to all our Shareholders who have always been very supportive of the Group and its activities.

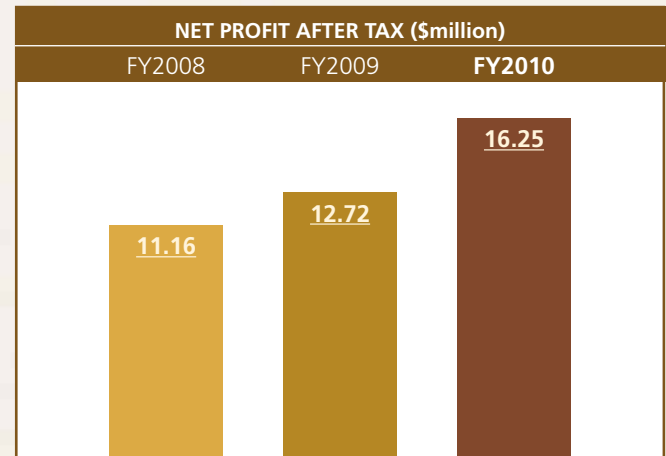
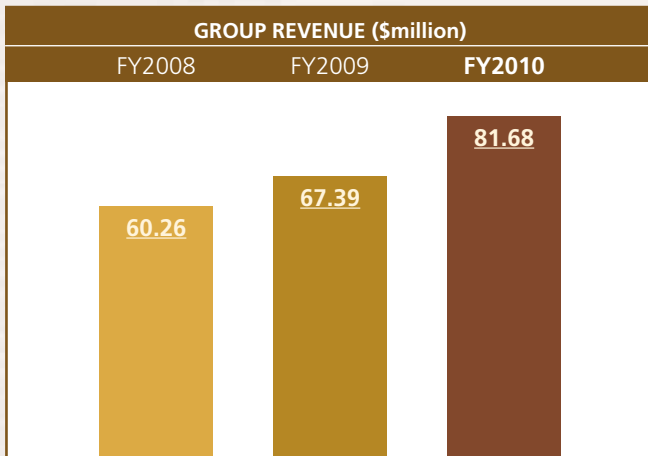


Dear Shareholders,

It is with a deep sense of pride and satisfaction that I report Thomson Medical Centre Limited has delivered another year of sterling results. We have set new records and achieved higher benchmarks in Financial Year 2010 despite the economic uncertainties faced by the region in 2009. Our success and achievements are a clear testimony of the strong and loyal support from our patients, the immense dedication and commitment of our highly experienced team of doctors, nurses, healthcare professionals and our management staff. I would also like to pay tribute to all our Shareholders who have always been very supportive of the Group and its activities.

Our revenue grew strongly by 21.2% to \$81.7 million, while net profit after taxation showed a robust growth of 27.8% to \$16.3 million.

We broke last year's record with deliveries of 9,268 babies in FY2010 and increased our market share of national deliveries from 22.8% to 24.3%. This represents approximately one in four births in Singapore, and we will continue to work towards increasing our share of the national deliveries. Both inpatient and outpatient admissions continue to rise and the referrals from our network of satellite clinics, tenant doctors, specialised centres and external doctors remain strong. This has contributed to an increase in patient load, higher hospital room occupancy and increased utilisation of our hospital facilities. Our other services in Thomson Lifestyle Centre,



ParentCraft Centre and Diagnostic Imaging Centre also reported heavier patient load.

Our strategy to grow organically has seen very encouraging results. Our Thomson Paediatric Centre Pte Ltd, in its first 8 months of the joint venture, has already begun to contribute positively to the Group's earnings. Our other joint venture, Thomson Women Cancer Centre Pte Ltd has also done well and apart from seeing increased outpatients, the Centre also made increased patient referrals to use the hospital's facilities and services.

Our gross margin improved to 43.7% from 43.2% last year and so has our net profit margin which increased to 19.9% from 18.9% in FY2009. While we implement our plans to expand the depth and breadth of our operation, we remain vigilant in our cost management. We continue to exploit technology to improve efficiency in our operations and to enhance our service offerings to our patients. Our systems and processes are also being continuously reviewed and improved upon.

We continue to strengthen our balance sheet through our effective execution of strategies for robust growth in our business and at the same time, ensure prudent management of our resources. As at 31 August 2010, our total assets amounted to \$163.6 million while total liabilities were \$21.5 million. Total equity was \$142.1 million. Our cash and bank balances amounted to \$30.5 million and we pared our bank loan down to \$1.4 million. As a result of the strong growth in the Singapore

economy, the value of our freehold land and building on which our hospital stands, increased by \$22.6 million and this has been disclosed as a revaluation surplus in our accounts. Our net asset value per ordinary share was 48.50 cents compared to 38.12 cents last year.

Against this backdrop of a solid financial performance, I am therefore pleased to advise you that the Board of Directors has recommended a one-tier tax exempt final dividend of 2.0 cents per ordinary share. This final dividend, if approved by the shareholders at the forthcoming annual general meeting, will bring the total dividend for the year to 3.2 cents per ordinary share. This represents a payout of 57.5% of net profit after taxation for the year which is in line with our stated dividend policy of at least 50% for each year.

In line with Thomson Medical's mission of providing patients and their families with innovative services including providing an environment that is comfortable and conducive to their well being and recovery, we continued to enhance the wards and rooms with our signature resort-themed ambience and services. The renovated premier wards at Levels 5 and 6 continue to be well received by patients and maintain a consistent high occupancy rate.

Plans to upgrade our hospital facilities with an additional two new operating theatres, birth rooms and day surgery centre were delayed pending a review of our space rationalisation for better optimisation of the space we have. We expect to complete this review soon and work on these additional facilities will likely commence in the later part of FY2011.

Chairman's Statement

Our network of Thomson Women's Clinics continues to report robust number of patient referrals to our hospital. These satellite Clinics have, over time, established a strong reputation and rapport with patients in respective heartland areas. We will continue to be on the lookout to establish partnerships with key doctors and source for strategic locations to expand the network of clinics.

The positive performance of the relatively new Thomson Paediatric Centre which opened in January 2010 augurs well for the Group. With strong interest and demand for specialised paediatric services, we expect Thomson Paediatric Centre to maintain its healthy contribution to the Group's revenue. To better serve our patients, we will put effort to attract more senior paediatricians to join our Thomson Paediatric Centre and will also develop plans to set up paediatric satellite clinics, thus bringing such services closer to their place of residence.

We expect to see continued increase in contributions from Thomson Women Cancer Centre, which also saw an increase in patient load during the financial year. Thomson Women Cancer Centre, established in February 2009, has steadily gained a strong reputation for being a leading centre dedicated to women cancer with its cutting-edge treatment and active promotion of cancer awareness through education and cancer screening initiatives. During the year, Dr Tay Eng Hseon, the Centre's Medical Director and a renowned gynaecological oncologist, performed a rare surgical procedure to preserve the fertility of a female patient while removing her cancerous cervix with the uterus intact. This meant that the patient can attempt in-vitro fertilisation to conceive. The news made local and international headlines as records show that worldwide, fewer than 1,000 patients have undergone this procedure.

We will continue to explore new technologies to enhance our service deliveries and standard of healthcare. One such innovation being implemented is to provide tagging of babies and their mothers using RFID (Radio Frequency Identification) technology as an added security to enhance patients' peace of mind.

While we have done very well for the year, I am however very saddened and distressed to learn of the incident where the wrong sperm was used during an in-vitro fertilisation procedure at our Thomson Fertility Centre. My directors and I are deeply sorry and fully empathise with the couple

and will continue to offer them our support and assistance. In Thomson Fertility Centre's 22 years of operation, this is the first such incident. Although our operating procedures meet all regulatory requirements and are of the highest standards, I have nevertheless directed my Management to review all procedures, work closely with the Ministry of Health in their investigations and implement any further actions recommended. Our patients remain our top priority.

In October 2010 we witnessed the Open House of the Hanh Phuc International Women and Children Hospital (Hanh Phuc Hospital) in Binh Duong Province, Vietnam, an important milestone in our hospital consultancy and management project in Vietnam. I am proud to say that the special preview of the first Singapore standard hospital in Vietnam was very well received by guests and members of the local business community. Facilities at the 260-bed hospital include 8 Operating Theatres, 12 Delivery Suites, 12 Day Surgery beds as well as both neo-natal and adult intensive care units. Hanh Phuc Hospital, expected to be operational by end of 2010, will offer a wide range of specialties including Obstetrics & Gynaecology, Paediatrics & Neonatology, Gynae-Oncology, General Surgery and General Medicine plus services for breastcare, fertility treatment, fetal assessment and ParentCraft services.

We are greatly encouraged by the positive feedback from the general public and our Vietnamese partner towards the Hanh Phuc Hospital in Binh Duong Province and will intensify our efforts to evaluate potential sites for the second hospital in Hanoi, Vietnam.

While Thomson Medical continues to grow its brand presence and reputation in the region through our hospital consultancy and management projects in Vietnam and our marketing efforts in neighbouring countries, the Thomson Medical brand equity also received a boost locally during the year in review. Thomson Medical in 2009 emerged the winner and also overall winner of the Singapore Prestige Brand Award (SPBA – Heritage Category). In recognition of the company's win for the sixth consecutive year, Thomson Medical became the first company to be inducted into SPBA's Hall of Fame – an elite and prestigious circle of brands recognised and honored for consistent and extraordinary effectiveness in developing and managing their brands.

Thomson Medical also achieved top score in the healthcare sector in the Customer Satisfaction Index of Singapore (CSISG)

survey conducted by the Singapore Management University. Our score of 73.3% was significantly higher than the healthcare sector average of 68.9% indicated on the Index, which serves as a national barometer for customer satisfaction in Singapore.

Thomson Medical also received the May Day CBF Model Partnership Award 2010 – Institutional category. This award is presented by NTUC to recognise organisations that have made a significant impact in enhancing productivity, upgrading capabilities and responding quickly to market changes.

Other accolades received include one of the Most Transparent Company Award 2010 (Mainboard Small Caps Category) by the Securities Investors' Association Singapore for the fifth consecutive year in recognition of Thomson Medical's commitment towards good corporate governance and transparency.

I have led the Thomson Medical Group for 31 years. During these three decades, I have witnessed the Group transform itself many times and it has grown in both breadth and depth in its operations and financial strength. Thomson Medical now stands on the threshold of a new chapter in its journey.

On 29 October 2010, Sasteria Pte. Ltd. ("Sasteria"), made a mandatory conditional cash offer for Thomson Medical. The offer became unconditional on 4 November 2010.

Sasteria has disclosed that *"it intends to undertake a strategic and operational review of the organisation, businesses and operations of the Group to evaluate the options to expand the business of the Group. It is currently the intention of Sasteria to ensure continuity in the operations of the Group and to steer the Group to further growth and development"*.

At the conclusion of the forthcoming Annual General Meeting, I, together with the rest of the Directors will step down from the Board of Directors of Thomson Medical. A new Board of Directors will be appointed, subject to Shareholders' approval, at the forthcoming Annual General Meeting. I extend my best wishes to the incoming Board members to the Thomson Medical Group.

With Thomson Medical's solid foundation and history of sustained achievement, combined with the experience and expertise of new Board members, I am confident that the new Board will be able to build upon Thomson Medical's legacy of



Dr Cheng Wei Chen receiving the Singapore Prestige Brand Award 2009 – Hall of Fame from Mrs Lim Hwee Hua, Minister, Prime Minister's Office and Second Minister for Finance and Transport.

celebrating life with our patients and their families in bringing the Group to even greater heights.

I would like to take this opportunity to record my deepest gratitude and warmest thanks to all our outgoing Board members for their years of service with distinction and their dedicated leadership, support, invaluable insights and advice in guiding the management and staff towards a shared goal – a key to success for any organisation.

We must never forget that the continued success of our Group rests on the trust that our patients have in our high standards of healthcare service. I am grateful for that trust.

As I and the departing Board members bid our farewell, I would like to extend my heartfelt appreciation to the Thomson Family – all our doctors, nurses, partners, management and staff for their loyalty, support, dedication and commitment over the years; in working as one towards the dedicated care and well being of our patients and their families. This same level of loyalty, support, dedication and commitment must continue unabated as we pass the baton to the team on the new Board.

Dr Cheng Wei Chen
Executive Chairman

26 November 2010

Our Milestones

1979

- Introduced the novel concept of quality services and personalised patient care in a friendly home-like ambience.

1982

- First private hospital to set up an obstetric ultrasound department to introduce obstetric ultrasound scans.

1987

- First private hospital to set up a fertility clinic.
- Established research link with the Obstetric & Gynaecology Department of King's College Hospital to enable the transfer of IVF and related assisted reproductive technology and expertise.

1988

- Delivered Singapore's first IVF triplets.

1989

- Delivered one of Asia's first surviving IVF quadruplets.
- Set up one of Singapore's first private cytogenetic laboratories for early diagnosis of Down Syndrome and Thalassaemia.

1998

- Introduced a one-stop Breast Clinic to provide integrated breast care services.
- Introduced one of Singapore's first men's wellness and anti-aging centres (renamed in 2001 to Healthy Aging Clinic to include such services for women).

1999

- Established the Fetal Assessment Unit, a dedicated centre for pre-natal diagnostic and obstetric ultrasound services.

2000

- One of the world's first fertility clinics to produce a pair of twins from frozen eggs and frozen testicular sperm.
- Introduced a network of Thomson Women's Clinics to extend specialist Obstetric & Gynaecology services beyond the hospital to the heartlands.
- Completion of the Millennium Wing.

2001

- Opened the Thomson Lifestyle Centre providing health screening and healthy lifestyle services.

2003

- Awarded the President's Certificate of Commendation for organisation excellence in combating SARS.

2004

- Executive Chairman, Dr Cheng Wei Chen was a winner in the Entrepreneur of the Year Award by ASME and The Rotary Club of Singapore.

2005

- Admitted to the Official List of SGX SESDAQ.
- Signed agreement with Protrade Corporation to provide hospital consultancy services for a private women and children's hospital in Vietnam.

2006

- Signed Hospital Management Agreement with Hanh Phuc International Women and Children Hospital in Vietnam.
- Groundbreaking of Hanh Phuc International Women and Children Hospital.
- Attained Singapore Quality Class Status conferred by SPRING Singapore.

2007

- Accredited the Pro-Family Business Mark by the "Making Business Pro-Family Workgroup" supported by the Ministry of Community Development, Youth and Sports.
- Ranked in Singapore 1000 by DP Information Group for being a top performing company.
- Recognised as a People Developer Standards Organisation by SPRING Singapore.
- Executive Chairman, Dr Cheng Wei Chen was the winner of the Grand Entrepreneur Award and Best Entrepreneur Award (Faculty of Medicine) in the 2nd NUS Entrepreneurship Awards 2007.

2008

- Signed Option to Subscribe Agreement for a 25% equity stake on Hanh Phuc International Women and Children Hospital.
- Signed Memorandum of Understanding on the provision of hospital consultancy and management services, and to acquire up to 25% equity stake, in relation to the proposed private women and children's hospital project in Hanoi, Vietnam. (Proposed Hanoi Hospital)
- Signed agreement to establish business plan for the proposed Hanoi Hospital.
- Executive Deputy Chairman, Dr Cheng Li Chang won the Merck Serono Assisted Reproductive Techniques Young Investigators Award 2008.

2009

- Set up Singapore's first private dedicated women cancer centre.
- Group Chief Executive, Mr Allan Yeo was awarded the Outstanding Entrepreneur of Year award organised by the Asia Pacific Entrepreneurship Award (APEA) 2009.
- Set up Thomson Chinese Medicine dedicated to women's health and wellness.
- First company to be inducted into the Singapore Prestige Brand Award Hall of Fame.

2010

- Setup of Thomson Paediatric Centre Pte Ltd, dedicated to providing specialist services for newborns (including neonatal intensive care), infants and children.
- Gained top position in the Customer Satisfaction Index of Singapore (CSISG) in the healthcare sector in recognition of service quality and innovations.
- Ranked in Singapore 1000 by DP Information Group for being a top performing company.

Our Accolades



Listed under Forbes Asia's
'Best Under a Billion' Companies 2009 in Asia Pacific



Singapore Prestige Brand Award 2009 – Hall of Fame
1st Company to be inducted into Hall of Fame



Singapore Prestige Brand Award 2009
Heritage Brands – Winner and Overall Winner for 2009



Singapore Prestige Brand Award 2007 and 2008
Established Brands – Winner and Overall Winner for 2007



Singapore Promising Brand Award 2006
Distinctive Award and Silver Award



Singapore Promising Brand Award 2004 and 2005



Pro-Family Business Award 2007 and 2008



SPRING Singapore Excellent Service Award from 2007 to 2009



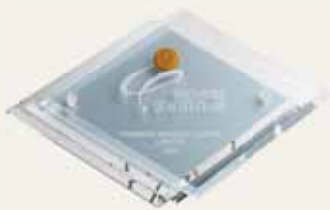
SIAS Investors' Choice Awards
Most Transparent Company Award from 2006 to 2010



Singapore Corporate Award 2007
Best Investor Relations Award (Bronze)



People Developer Standards Organisation 2007



Singapore Quality Class 2006



Superbrands Award 2004/2005
Superbrands Consumer's Choice Award 2006



Singapore Health Award 2006 and 2008



May Day CBF Model Partnership Awards 2010
Institutional Category by NTUC



Dr Ang Poon Liat with his patient in Thomson Paediatric Centre.

A YEAR OF HEALTHY GROWTH

During the year in review, Thomson Medical Centre set yet another new record with the delivery of 9,268 babies, surpassing its previous record of 8,907 for FY2009. This milestone achievement is an apt reflection of this year's annual report theme "We care as One", where management and staff worked closely with our specialist doctors to provide quality medical care and service to our patients and their families with our trademark Thomson Touch.

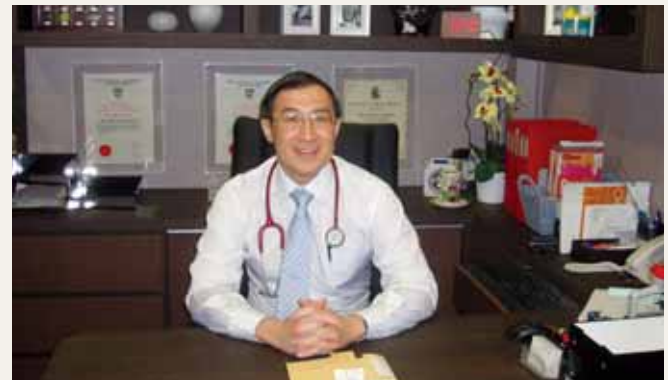
This collective commitment to service excellence ensures Thomson Medical Centre remains the hospital of choice for women and children in Singapore and the region. This established trust and reputation backed by the dedication and

commitment of our staff and doctors have helped the Group achieve healthy growth in patient admissions, utilisation of hospital facilities, increased patient referrals from our tenant doctors, our network of seven satellite specialist women's clinics and strong debut of our new centres.

During the financial year, the Group expanded its scope of services to include the management of children's health as part of its strategy to grow organically while tapping on the strong Thomson Medical brand name. In January 2010, the Group entered into a joint venture with two leading paediatricians to establish Thomson Paediatric Centre. Located within our hospital premises, Thomson Paediatric Centre made a strong and impressive debut and performed very well to make a healthy contribution to the Group's performance.



Dr Yeap Min Li and her staff at ML Yeap Clinic For Women.



Dr Benjamin Tham started his private practice at WC Cheng & Associates.

Thomson Women Cancer Centre, located at Novena Medical Centre, continues to make significant contribution to the Group with increase in patient load. Thomson Women Cancer Centre remains committed to promoting cancer awareness through education, screening and prevention. To this end, the Centre initiated a pilot trial on a self-sampling test kit for cervical cancer to encourage women to conduct regular pap smears. This 6-month trial, the first in Asia, was launched in May 2010. Thomson Medical Centre also made a mark in local healthcare history when Dr Tay Eng Hseon, the Centre's Medical Director and a renowned gynaecological oncologist, performed a rare surgical procedure to preserve the fertility of a woman while removing her cancerous cervix at the hospital. The patient from Scotland became possibly the first woman in Singapore to have successfully gone through an abdominal trachelectomy – the removal of the cervix with the uterus intact. This means that the patient, who is married and hopes to have children, can attempt in-vitro fertilisation to conceive. Records show that worldwide, fewer than 1,000 patients have undergone this surgery.

The Group continues to attract experienced and senior specialists to take up tenancy in our hospital. In May 2010, two senior O&G specialists took up tenancy with the Group and they have begun to contribute to the increased patient referrals to the Group's hospital.



"Mind Your Body"
The Straits Times,
27 May 2010.



The Straits Times,
6 May 2010.

Operations Review

The newly renovated rooms, with its exclusive and luxurious ambience exuding comfort and warmth, continue to be well received by patients as were the convenience offered by the in-room Thomson iTouch panels in the premier suites. This touch-screen panel feature interactive services such as the video nurse call and entertainment services such as movies, online games and shopping. In line with the Group's mission to provide innovative services that are unique and relevant, new services were implemented to enhance patient's hospital stay and experience.

Thomson Medical Centre's much sought after, value added maternity programmes, the First Born Incentive and Subsequent Born Incentive initiatives also saw an increase in the number of memberships to 6,901 from 5,605 in the year before. These

programmes offer attractive membership benefits for expectant mothers including special rates for hospital services and room packages, and discounts at participating retail establishments. Since its inception in 2004, both programmes have consistently contributed to generating higher utilisation of the hospital's facilities and services.

Our Thomson ParentCraft Centre, renowned not only for its comprehensive range of childbirth education classes but also for the personalised service and quality care extended by the Centre's team of experienced consultants, continue to report active participation rate. Sales of the second edition of the three guide books on child birth, breastfeeding and child care authored by ParentCraft Centre consultants have been doing well. To complement the books, and in line with our aim of



The Balmoral Suite



New parents receive practical take-home skills on caring for their newborn at Thomson ParentCraft Centre.



A patient receiving treatment at Thomson Aesthetics Centre.

easing new parents on their parenthood journey as an enjoyable and angst-free experience, our ParentCraft consultants also developed a series of easy-to-follow instructional video on breastfeeding and baby care.

Both Thomson Lifestyle Centre and Thomson Aesthetics Centre continue to see a steady growth in patient visits after their move from our hospital premises to the nearby Novena Medical Centre, which is conveniently located next to the Novena MRT station. This move has also enabled us to cater to the healthcare needs of those working and living within the popular densely occupied area.

Growing popularity and awareness of how Traditional Chinese Medicine (TCM) can complement Western medicine to enhance treatment results for various medical conditions have led to and increase in patient visits to our Thomson Chinese Medicine centre. The one-year old centre, located within hospital premises, continues to see good sign up rate for its services such as acupuncture, acupressure and TCM treatments in the area of infertility, pre and post-natal wellness and to counter side effects of cancer treatment.

During the year in review, the Group continue to see an increase in the number of foreign patients. These patients were mainly from nearby countries such as Malaysia and Indonesia although we also see a good number from Korea, Vietnam and India – a reflection that Thomson Medical's reputation as premier hospital of choice for women and children has expanded well beyond Singapore's shores.

While Thomson Medical has done very well for the year, the Group was very saddened and distressed to report of the incident where a wrong sperm was used during an in-vitro fertilisation procedure at our Thomson Fertility Centre during the year. We are deeply sorry and fully empathise with the couple and will continue to offer them our support and assistance. In Thomson Fertility Centre's 22 years of operation, this is the first such incident. Although our operating procedures meet all regulatory requirements and are of the highest standards, we have and will continue to review all procedures and put in additional level of checks. We have worked closely with the Ministry of Health in their investigations and will implement fully all further actions recommended. We care for our patients and our patients' interest must be our top priority.



Dr Cheng Wei Chen (2nd from right), Group Executive Chairman, Thomson Medical Centre, together with other award winners at the SPBA 2009 award ceremony. Thomson Medical Centre was the overall winner for SPBA – Heritage Brands.

AWARDS AND ACCOLADES

Thomson Medical continues to grow its reputation for excellence in service and delivery with recognition and accolades from various industry peers. The company in 2009 emerged as the winner and also overall winner of the Singapore Prestige Brand Award 2009 (SPBA – Heritage Brands). Having won the Singapore Prestige Brand Award for the sixth consecutive year, Thomson Medical became the first company to be inducted into SPBA's Hall of Fame. This is an elite and prestigious circle of brands recognised and honoured for consistent and extraordinary effectiveness in developing and managing their brands. The SPBA Hall of Fame inducts companies which have either won the SPBA Accolade five times or won the SPBA Accolade three times including being an Overall Winner in any of the categories at least once.



Guest-of-Honour, Mr Lee Yi Shyan, delivering an opening speech at the Thomson Medical Centre CCI Learning Journey.



Mr Yeo Guat Kwang, Alignment Director, Quality Worklife, NTUC and Co-Chairperson (CCI) touring the hospital with Mr Allan Yeo, Group Chief Executive, Thomson Medical Centre, during the sharing session at the Thomson Medical Centre CCI Learning Journey.



Mr Allan Yeo, Group Chief Executive, Thomson Medical Centre (right), receiving the Most Transparent Company Award 2010.



Mr Philip Yeo (extreme right), Director of Human Resource, Thomson Medical Centre, receiving the award from Mr Lee Yi Shyan, Minister of State for Trade & Industry and Manpower at the May Day CBF Model Partnership Awards 2010 – Institutional Category by NTUC.

Thomson Medical also came up top in the healthcare sector in the Customer Satisfaction Index of Singapore (CSISG) survey conducted by the Singapore Management University. This Index serves as a national barometer for customer satisfaction in Singapore and findings are based on a nationwide survey conducted annually. Thomson Medical achieved a score of 73.3%, which is significantly higher than the healthcare sector average score of 68.9%. Thomson Medical focused on three core areas to improve customer satisfaction – patient expectations, perceived quality and perceived value, including successfully reducing waiting time for admission and discharges; and improving administrative and bed-management processes.

Thomson Medical was also presented with the May Day CBF Model Partnership Awards 2010 – Institutional category. This award by NTUC is given to recognise and reward organisations that have made a significant impact in enhancing productivity, upgrading their capabilities and responding quickly to market changes.

Other accolades received during the year include being ranked in Singapore 1000 by DP Information Group for being a top performing company and we are a recipient of the Most Transparent Company Award 2010 (Mainboard Small Caps Category) by the Securities Investors' Association Singapore for the fifth consecutive year. The latter Award is in recognition of Thomson Medical's commitment towards good corporate transparency.

Operations Review

EMPLOYEE ENGAGEMENT AND CORPORATE SOCIAL RESPONSIBILITY

As a responsible corporate citizen, Thomson Medical remains committed to engaging and contributing to the community through various platforms such as education, health services, sponsorship and donation projects. Our corporate social responsibility initiatives also enable staff to bond through participation in the projects, as well as fully express the Group's brand promise to celebrate life with our patients and the community in which we operate.

As a leading healthcare provider in Singapore, Thomson Medical felt it was apt to provide free H1NI vaccinations to various less fortunate and needy groups in the community. This programme was carried out over a few months, covering groups such as the Handicap Welfare Association, and needy residents at the Macpherson and Geylang Serai Community Centres.

The Group was also the official medical partner of the Great Eastern Women's Run 2009 which supports the Women Against Cancer fund. Thomson Medical provided 3 ambulances and a team of doctors, nurses and paramedics for the event which saw a turnout of more than 14,000 women participants.

Thomson Medical continued to actively raise funds for the Straits Times School Pocket Money Fund through proceeds of sales of the Thomson Talents Calendar 2010 which featured talented Thomson-born children, teens and young adults who excel in various areas be it sports, education or the arts. Those featured include Nicholas Tay, 2009 President Scholar; Quah Ting Wen, an Olympic Swimmer and Jane Lee, team leader of the Singapore Women's Everest team.



Our dedicated team providing free H1NI vaccinations for the elderly and children at 'Ai Xi' Centre.



Dr Tay Eng Hseon, Medical Director of TWCC (extreme left) and Mr Allan Yeo, Group Chief Executive, Thomson Medical Centre (extreme right) with Thomson Medical Centre staff at the Great Eastern Women's Run 2009.



Hanh Phuc International Women and Children Hospital is scheduled to commence operations by end of 2010.



Hanh Phuc Hospital – Paediatric Room.

REGIONAL PROJECT

On the regional front, the Group's hospital consultancy project in Binh Duong Province, Vietnam – Hanh Phuc International Women and Children Hospital (Hanh Phuc Hospital) – is progressing on schedule. The 260-bed hospital held an Open House on 23 October 2010 for a special preview of its facilities and services. The hospital has 8 Operating Theatres, 12 Delivery Suites, 12 Day Surgery beds and suites of facilities such as neonatal and adult intensive care units. Feedback and comments indicate that the first Singapore standard hospital in Vietnam was very well received by guests and members of the local business community. Operations and recruitment plans are in place and the hospital is scheduled to commence operations by end of 2010.

When fully operational, Hanh Phuc Hospital will offer a comprehensive range of specialties including Obstetrics & Gynaecology, Paediatrics & Neonatology, Gynae-Oncology, General Surgery and General Medicine plus services for breastcare, fertility treatment, fetal assessment and ParentCraft.

Meanwhile, the Group is currently evaluating potential sites for the second hospital in Hanoi, Vietnam.



Hanh Phuc Hospital – VIP Suite.



Our team from Thomson Medical together with Hanh Phuc Hospital staff at the Open House event on 23 October 2010.

HOSPITAL OPERATIONS AND ANCILLARY SERVICES

The Group owns and operates Thomson Medical Centre, a private hospital specialising in obstetrics and gynaecology (O&G) and paediatric services. Besides the primary and secondary healthcare services, the hospital provides tertiary healthcare services in the areas of neo-natal intensive care and offering a comprehensive range of medical, surgical, therapeutic and preventive healthcare services including adult intensive care. The main revenue stream comes from the provision of inpatient services such as accommodation, nursing procedures and use of facilities like operating theatres and delivery suites.

Day surgery procedures, where patients undergo surgery but do not require overnight hospitalisation, and outpatient services also contribute revenue to the hospital. Outpatient services include diagnostic imaging, colposcopy services, fetal assessment services, laboratory services, specialist outpatient clinics, health screening, healthy ageing, weight management services, physiotherapy, pharmaceutical sales, parentcraft services and a 24-hour Family Clinic. Revenue is also generated from the rental of medical suites, retail outlets and car parking collections.

SPECIALISED AND OTHER SERVICES

Specialised and other services segment comprises the operations of Thomson Fertility Centre Pte Ltd (Thomson Fertility Centre), Thomson Pre-Natal Diagnostic Laboratory Pte Ltd (Thomson Pre-Natal), Thomson Aesthetics Centre Pte Ltd (Thomson Aesthetics Centre), Thomson Women's Clinic Holdings Pte Ltd (Thomson Women's Clinics), Thomson Women Cancer Centre Pte Ltd (Thomson Women Cancer Centre), Thomson Chinese Medicine Pte Ltd (Thomson Chinese Medicine), Thomson Paediatric Centre Pte Ltd (Thomson Paediatric Centre) and Thomson International Health Services Pte Ltd (Thomson International).

Thomson Fertility Centre, one of the first private fertility centres in Singapore, offers a comprehensive range of assisted reproductive programmes such as Intrauterine Insemination (IUI), In-vitro Fertilisation (IVF), and Intracytoplasmic Sperm Injection (ICSI).

Thomson Pre-Natal, one of Singapore's first private cytogenetic laboratories, provides specialised laboratory services that include identification of chromosomal abnormalities such as Down Syndrome and Thalassaemia.

Thomson Aesthetics Centre provides medical aesthetics services to both men and women including laser therapy, pigment removal, facial contouring, botox and fillers.

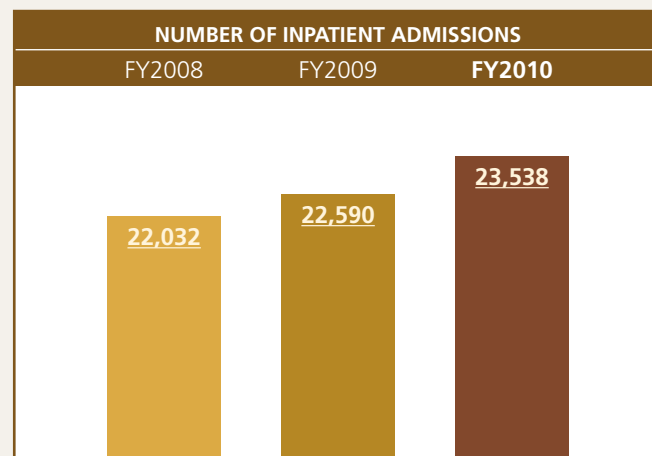
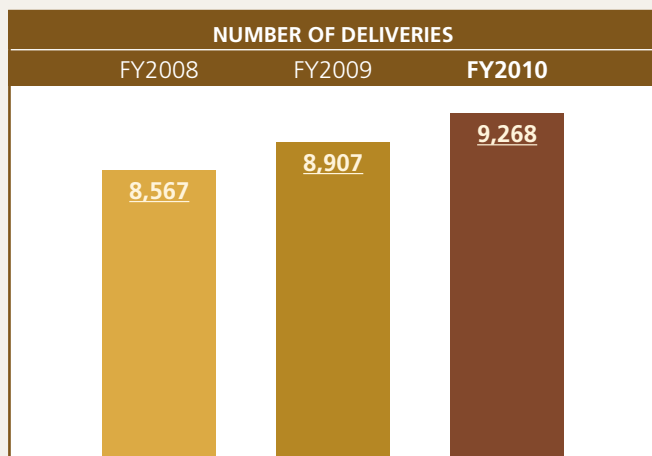
Thomson Women's Clinics is an initiative to bring O&G specialist services to the neighbourhood. There are currently seven such clinics located in Bukit Batok, Choa Chu Kang, Katong, Sembawang, Sengkang, Tiong Bahru and Ang Mo Kio. Each clinic provides services such as women's health screening, ante-natal care, gynaecological screening, fertility treatment, pelvic ultrasound, menopause care and contraceptive counseling services.

Thomson Women Cancer Centre is Singapore's first cancer centre dedicated to the screening, prevention, diagnosis and treatment of gynaecological, breast and colorectal cancers in women.

Thomson Chinese Medicine is the first complementary medicine practice in Singapore that is dedicated to women's health and wellness. Services include acupuncture, acupressure and Chinese medicine in the areas of infertility, pre-natal and post-natal wellness and cancer specifically in counteracting the effects of cancer treatment.

Thomson Paediatric Centre is dedicated to providing a full range of primary and specialised services for newborns (including neonatal intensive care), infants and children, including nutritional services and behavioural medicine.

Thomson International is the Group's regional arm for the provision of hospital consultancy and management services. It currently provides hospital consultancy services to the Hanh Phuc Hospital in Vietnam and hopes to secure more regional hospital consultancy and management projects for the Group.



REVENUE

The Group recorded a solid growth of 21.2% in revenue in FY2010. Building on the strength of its progress last year, Group revenue for the year ended 31 August 2010 continued to show increasing growth, rising by \$14.29 million to \$81.68 million over FY2009. Both segments of operations, the Hospital Operations and Ancillary Services and Specialised and Other Services, performed very well.

Hospital Operations and Ancillary Services

Revenue from our Hospital Operations and Ancillary Services increased by 11.2% or \$5.80 million to S\$57.65 million in FY2010 from \$51.85 million in FY2009. Both inpatient and outpatient services saw good performance with a higher number of babies delivered in our hospital and healthy growth in other areas in this segment.

Total admissions in our hospital grew 4.2% compared to FY2009. The increase in admissions to our hospital is a result of strong growth in referrals from our seven satellite clinics under Thomson Women’s Clinic, our Thomson Women Cancer Centre, tenant doctors and external doctors. This has contributed to the higher utilisation of our services and facilities.

Inpatient revenue grew by 12.2% whereas outpatient revenue increased by 10.1% respectively. Deliveries increased 4.1% to new record high of 9,268 in FY2010 from 8,907 in FY2009 whilst the total number of our operating theatre cases increased by 3.2% over FY2009. Healthy growth continued to be recorded in the ancillary services such as diagnostic imaging and ParentCraft services.

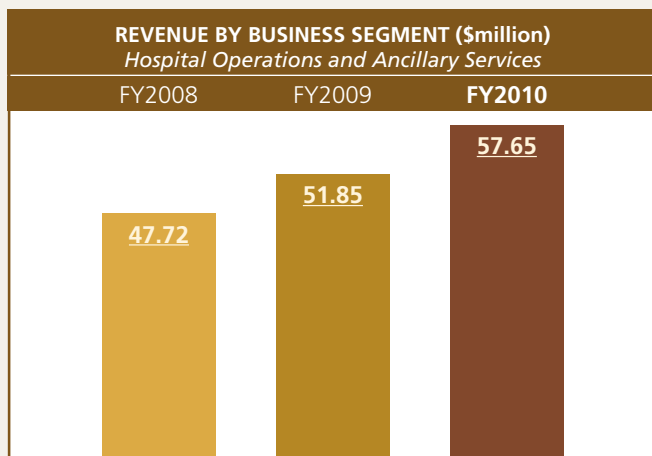
Specialised and Other Services

Revenue in the Specialised and Other Services segment surged by 54.6% or \$8.49 million to \$24.03 million in FY2010 from \$15.54 million in FY2009. Our 8-month old Thomson Paediatric Centre (“TPC”) made a very strong debut since it began operation on 1 January 2010 with revenue of \$4.94 million. During the year, there were continued growth in patient load and revenue from our network of clinics under Thomson Women’s Clinics (“TWC”) and we also had the benefit of a full year’s contribution from Thomson Women Cancer Centre (“TWCC”).

Revenue in the Group’s network of satellite clinics under TWC grew \$1.34 million or 13.9% in FY2010 to \$10.97 million from \$9.63 million in FY2009. Revenue in TWCC, which began operation in February 2009 grew to \$2.90 million in FY2010 from \$1.10 million in FY2009.

Operations Review

Financial Review



The Hanh Phuc Hospital in Vietnam's Binh Duong Province under Thomson International Health Services' hospital consultancy project is near completion. Fees recognised on a progressive basis for technical advisory and hospital commissioning services during the year amounted to \$0.35 million, an increase over \$0.26 million in FY2009.

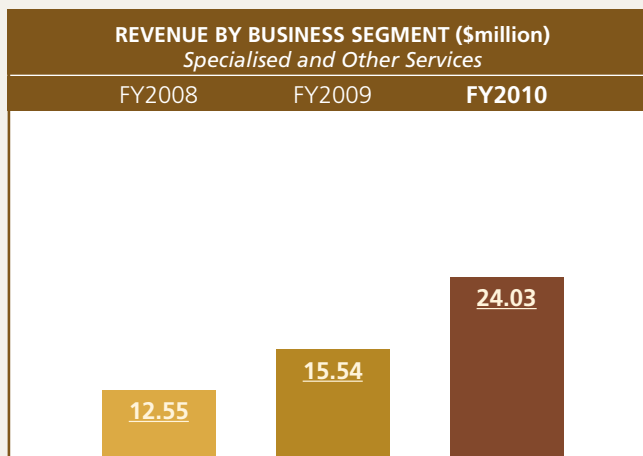
GROSS PROFIT

Group gross profit grew 22.8% to \$35.70 million from \$29.08 million in FY2009 arising from higher revenue and our prudent cost management.

Group gross profit margin improved to 43.7% in FY2010 from 43.2% last year. The gross margin in both segments have improved with the gross margin in Hospital Operations and Ancillary Services improving to 51.8% from 49.3% in FY2009 and the gross margin in the Specialised and Other Services rising to 24.2% in FY2010 from 22.6% last year attributable to better margin in TPC.

NET PROFIT AFTER TAXATION

With strong revenue growth, improved gross margin and better management of administrative and other operating expenses through better operating efficiency, net profit after taxation for FY2010 grew 27.8% to \$16.25 million from \$12.72 million in FY2009.



While Group revenue grew 21.2%, Group administration expenses increased by 14.6%, or \$1.44 million, to \$11.28 million due mainly to higher administrative manpower costs from increased staffing and more efforts spent on marketing and promotional activities. Other operating expenses were higher by 16.9%, or \$0.92 million mainly due to an increase in depreciation charge for the renovated wards completed in FY2009.

The Group's other operating income was lower by 10% or \$0.21 million to \$1.86 million from \$2.07 million.

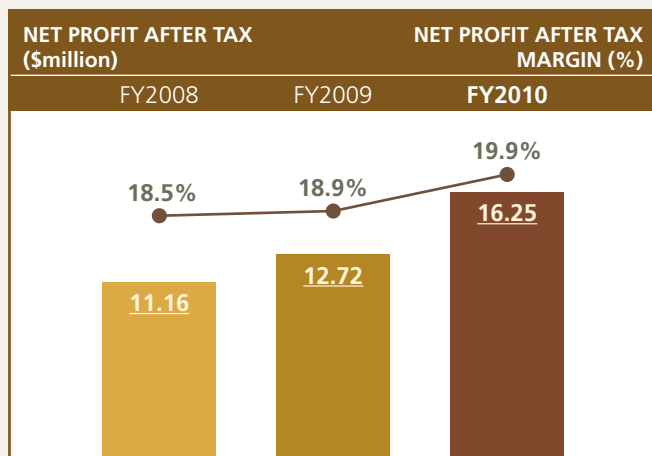
Earnings per ordinary share on a fully diluted basis for the current financial year was 5.38 cents per share compared to 4.38 cents per share last year.

Return on total assets for FY2010 was 9.9% compared to 9.6% in FY2009. The return on total assets without the revaluation surplus of \$22.63 million on freehold land and building would have been 11.5%.

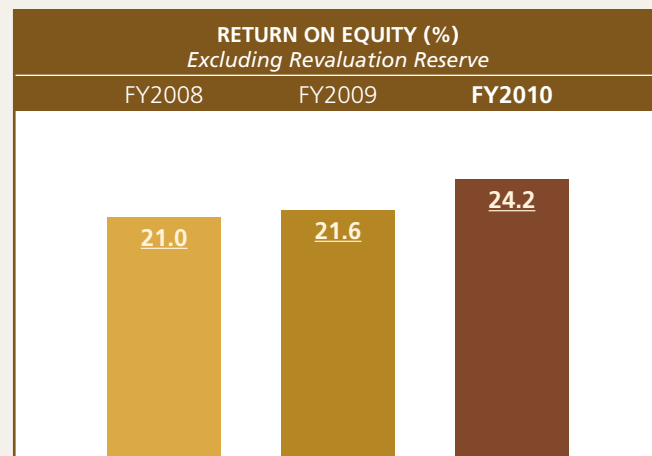
The Group's return on equity excluding the reserve on revaluation surplus on the freehold land and building for FY2010 was 24.4% which is an improvement over 21.6% in FY2009.

OTHER COMPREHENSIVE INCOME

In August 2010, a full valuation was done for the freehold land and building at 339 Thomson Road, Singapore. This resulted



→ Net Profit After Tax Margin



in a revaluation surplus of \$22.63 million and this has been recognised in other comprehensive income for the financial year in accordance with the revision to FRS1 on presentation of financial statements.

In the previous financial year, the revaluation deficit relating to the freehold land and building was \$4 million.

CONSOLIDATED BALANCE SHEET

Assets

The Group's balance sheet continues to strengthen. Net asset value per ordinary share was 48.50 cents as at 31 August 2010 compared to 38.12 cents as at 31 August 2009. Excluding the revaluation surplus on freehold land and building, the NAV per ordinary share as at 31 August 2010 would be 22.97 cents compared to 20.18 cents as at 31 August 2009.

In light of the better economic outlook, the value of our freehold land and building increased by \$22.63 million as at 31 August 2010. Property and equipment as at 31 August 2010 was \$127.89 million compared to \$106.92 million as at 31 August 2009.

Group current assets grew by \$9.58 million to \$35.58 million due mainly to the higher fixed deposits and cash balance of \$30.53 million compared to \$20.57 million last year owing to higher cash generated from operations and lower capital expenditure.

The total value of the Group's assets as at 31 August 2010 was \$163.62 million compared to \$133.06 million as at 31 August 2009.

Liabilities

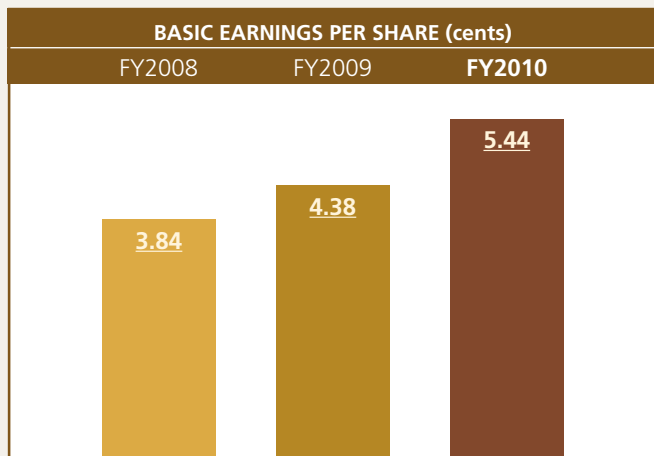
Total liabilities remained largely unchanged at \$21.52 million compared to \$21.76 million as at 31 August 2010 and 2009 respectively. The bank loan as at 31 August 2010 was \$1.36 million as a further \$1.36 million was repaid during the year as scheduled. This was compensated by higher provision for taxation owing to higher taxable profit in the Group.

Shareholders' Equity

The Group's shareholders' equity increased to \$142.10 million at 31 August 2010 from \$111.30 million at 31 August 2009, mainly as a result of the increased operating profit recorded for the period and the revaluation surplus arising from the revaluation of land and building. This increase is partly offset by dividends payment of \$8.73 million during the year.

Liquidity

The Group remains in a strong financial position with fixed deposits, cash and bank balance of \$30.53 million as at 31 August 2010.



DIVIDEND AND BONUS ISSUE

During the year the Company paid a one-tier tax exempt interim dividend of 1.2 cents per ordinary share.

The Board of Directors has proposed a final dividend of 2.0 cents per ordinary share. This final dividend is subject to approval of shareholders of the Company ("Shareholders") at the forthcoming Annual General Meeting.

The Directors would however like to refer Shareholders to the offer document dated 9 November 2010 issued by Sasteria Pte. Ltd. (the "Offeror") pursuant to the mandatory unconditional cash offer for the Company ("Offer Document"). The Offeror states in the Offer Document that the offer price ("Offer Price") for the Thomson Medical shares (other than shares owned, controlled or agreed to be acquired, directly or indirectly, by the Offeror and its Concert Parties as at the date of the Offer ("Offer Shares") has been determined on the basis that the Offer Shares will be acquired with the right to receive any dividends that may be declared, made or paid by Thomson Medical on or after 29 October 2010, including the final dividend of 2.0 cents announced on 26 October 2010.**

In addition, the Directors have also recommended a bonus issue (the " Bonus Issue") on the basis of one (1) Bonus Share for every ten (10) existing shares each held by Shareholders of

the Company as at a book closure date to be determined by the Directors.

As stated in the Company's FY2010 Results Announcement, the Bonus Shares shall be issued pursuant to a general share issue mandate to be sought at the Company's forthcoming AGM, and is therefore subject to the approval by Shareholders of the general share issue mandate to be sought at the AGM, in addition to the approval of the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the Bonus Shares. If approved, the actual number of Bonus Shares that will be issued by the Company will depend on the total number of issued shares of the Company as at the books closure date determined for the Bonus Issue ("Books Closure Date"). The Company will promptly announce the Books Closure Date once it has been determined by the Board.

GOING FORWARD

Change in Controlling Shareholder

On 29 October 2010, Sasteria Pte. Ltd. ("Offeror"), a company incorporated in Singapore, announced that it had agreed to acquire pursuant to a married deal 115,364,455 shares representing 39.34% of the total issued ordinary shares ("Shares") of the Company. In accordance with Rule 14 of the Singapore Code on Take-overs and Mergers ("Code"), the Offeror had to make a mandatory conditional cash offer ("Offer") for all the remaining Shares, other than those Shares owned, controlled or agreed to be acquired, directly or indirectly, by the Offeror and parties acting in concert with it as at the date of the Offer. The Offer was declared unconditional by the Offeror on 4 November 2010. At the date of this report Sasteria owns over 87.1% of the shares of Thomson Medical Centre and the Company is now a subsidiary of Sasteria.

Sasteria has disclosed in the Offer Document dated 9 November 2010 that *"it intends to undertake a strategic and operational review of the organisation, businesses and operations of the Group to evaluate the options to expand the business of the Group. It is currently the intention of Sasteria to ensure continuity in the operations of the Group and to steer the Group to further growth and development"*.

** For further details, please refer to page 7 of the Offer Document, reproduced on page 14 of the Offeree Circular to Shareholders dated 24 November 2010 issued by the Company.

Hospital Operations and Ancillary Services

In the last financial year we advised our intention to build another two operating theatres and a day surgery centre to add to the existing four operating theatres to cater to increasing demand for these facilities. We will be deferring this development for the time being as the Group will review its space rationalisation for better space planning. The Group expects to complete this rationalisation soon and work on the 2 operating theatres and a day surgery centre will likely commence in the later part of FY2011. This delay is not expected to have a material impact on the Group's performance for FY2011.

The Group will continue to strengthen its market leadership position by developing more value-added and innovative services and will complement this with further upgrading of our facilities. We will also continue to refresh and upgrade ourselves and identify new technologies that we can use to enhance our service delivery. We will work towards growing the distribution channels in the region to attract more foreign patients to use our facilities and services.

The Group will continue to pursue its strategy to develop new businesses that would widen the breath of its scope of healthcare services and to increase the number of referrals to our hospital. This would include its continuous drive to attract experienced and senior specialists as tenants in our hospital, broaden the pool of external doctors that would use our facilities and services we will also work towards and expanding our network of satellite clinics and through these clinics increase our patient referrals..

Specialised and Other Services

We have plans to open an eighth satellite clinic under the Thomson Women's Clinic network and are therefore looking for an attractive location and seeking an experienced O&G specialist to helm this clinic.

Our paediatric services under Thomson Paediatric Centre have made a strong debut in its eight months of operations. We are looking at attracting more paediatricians to join our Group both in our hospital and in our satellite clinics as the opportunities are immense.

To further entrench Thomson Women Cancer Centre as a pillar of our new growth strategy, we hope to attract more specialists to augment the present team so as to further develop other areas of specialty in Thomson Women Cancer Centre. A dedicated marketing team has been formed to expand our marketing efforts in this region and this includes working with foreign marketing agents.

The Thomson Chinese Medicine arm has seen steady growth since it started operations in July 2009. We will take steps to ensure we reap the benefits of its growing popularity and will continue to market its services to broaden its potential customers' reach.

On the regional front, the Group's project in Binh Duong Province in Vietnam, the Hanh Phuc Hospital, is in its final phase of completion leading to the commissioning of the hospital. The hospital recently held an Open House on 23 October 2010 and it is scheduled to commence its hospital operation by end 2010.

Meanwhile, the Group is currently evaluating potential sites for the second hospital in Hanoi, Vietnam.

Mr Allan Yeo, our Group Chief Executive has been appointed as a Director to the Board of Hanh Phuc Hospital. Mr Yeo has also been appointed as the Managing Director of the Hospital. This will help provide oversight to the management and operations of Hanh Phuc Hospital in fulfillment of Thomson Medical's Hospital Management Agreement and at the same time, looking after Thomson Medical's interest in discharging its responsibilities and obligations to Hanh Phuc Hospital.

The advanced estimates released recently by the Singapore Ministry of Trade and Industry for the July – September quarter of 2010 showed that the Singapore economy remains on track to achieve overall growth forecast of between 13% and 15% for 2010. With the positive economic outlook and barring unforeseen circumstances, the Board of Directors expects the Group to continue to be profitable in FY2011.

Board of Directors



From left to right

Standing: Dr Hari Naroomal Harilela, Mr Mohinder Singh Kalra, Mr Quek Shi Kui and Mr Cheng Shao Shiong @ Bertie Cheng.

Seated: Mr Chin Sek Peng, Dr Cheng Li Chang, Dr Cheng Wei Chen and Dr Phua Wee Thuan.

DR CHENG WEI CHEN | 79

Executive Chairman

Dr Cheng Wei Chen is our Founder and Executive Chairman. He is also a member of the Nominating Committee. Dr Cheng was last re-appointed as Director at the Company's Annual General Meeting on 10 December 2008.

Dr Cheng practises as an Obstetrics & Gynaecology specialist in W C Cheng & Associates, a practice which he founded in 1968. He is a founder member of the International Society for the Study of the Aging Male, London, and a member of the American Anti-Aging Academy of Medicine and the American Society of Sexology Education & Therapy (ASSET), USA. He is also the founder and current President of the Healthy Aging Association, Singapore. Dr Cheng was a winner in the Entrepreneur of the Year Award 2004 organised by the Association of Small and Medium Enterprises and The Rotary Club of Singapore. He was also the winner of The Grand Entrepreneur Award and The Best Entrepreneur Award (Faculty of Medicine) in the 2nd NUS Entrepreneurship Awards 2007. Dr Cheng is also a member of the Singapore Institute of Directors.

Dr Cheng holds a Bachelor Degree in Medicine and a Bachelor Degree in Surgery from the University of Malaya in Singapore. Dr Cheng is a Fellow of the Singapore Academy of Medicine, the Royal College of Obstetricians & Gynaecologists (London), the Royal College of Surgeons (Edinburgh), the Royal College of Surgeons (Glasgow) and the American College of Surgeons.

DR CHENG LI CHANG | 50

Executive Deputy Chairman

Dr Cheng Li Chang is the Executive Deputy Chairman and was appointed a Director in March 2002. Dr Cheng was last re-elected as Director at the Company's Annual General Meeting on 10 December 2008.

Dr Cheng is an established fertility specialist in Singapore and the region. In 2008, he won the Merck-Serono Assisted Reproductive Techniques (ART) Young Investigator Award for his IVF scientific paper presented at the 2nd Congress Of Asia Pacific Initiative on Reproduction (ASPIRE) 2008. Dr Cheng practises as an Obstetrics & Gynaecology specialist in W C Cheng & Associates. He is also the Medical Director of our wholly-owned subsidiary, Thomson Fertility Centre Pte Ltd.

Dr Cheng is a member of the Singapore Institute of Directors as well as a member of the Advisory Committee on Human Reproduction & Embryology, Ministry of Health, Singapore.

Dr Cheng holds a Bachelor Degree in Medicine and Bachelor Degree in Surgery from the National University of Singapore. He is a Fellow of The Royal College of Obstetricians & Gynaecologists (London) and also a Fellow of the Academy of Medicine, Singapore for Obstetrics & Gynaecology.

Board of Directors

DR HARI NAROOMAL HARILELA | 88 GBM, GBS, OBE, JP *Director (Non-Executive)*

Dr Hari Naroomal Harilela was appointed a Director in August 1978. He was last re-appointed as Director at the Company's Annual General Meeting on 10 December 2008.

Dr Harilela is the Chairman and Founder of the Hong Kong-based Harilela Hotels Ltd. This year, he was honoured with the Grand Bauhinia Medal (GBM), the territory's highest honour, by the Government of the Hong Kong Special Administrative Region (HKSAR). In 2000, he had also received the Gold Bauhinia Star (GBS) from the HKSAR government. He was a member of the Election Committee that elected six members of the Legislative Council and the Chief Executive of the HKSAR. He is also an Adviser on Hong Kong Affairs to the People's Republic of China. Dr Harilela's awards include the Asian Hotelier of the Year 2000, Officer of the Most Excellent Order of the British Empire (OBE), International Humanitarianism Award by the Anti-Defamation League of B'nai B'rith, the Pravasi Bharatiya Samman Award by the Government of India and Lifetime Achievement Award at the DHL/SCMP Hong Kong Business Awards 2008.

Dr Harilela currently sits on the board of several companies in Hong Kong, Singapore, Penang, Bangkok and London. He also serves on numerous boards and committees such as the Hong Kong University of Science and Technology, the University of Hong Kong Foundation for Educational Development and Research, Board of Regents, Pepperdine University, USA and Board of Trustees, Bond University, Australia.

Dr Harilela was conferred the Honorary Doctor of Laws from Pepperdine University, USA, Honorary Doctoral Degree in Commercial Science from St. John's University, New York and Doctor of Business Administration from Baptist University, Hong Kong.

MR MOHINDER SINGH KALRA | 76 *Alternate Director*

Mr Mohinder Singh Kalra was appointed as an alternate Director to Dr Hari Naroomal Harilela in February 1998.

Mr Kalra is currently a senior executive of Harilela Hotels Ltd whose principal activities include hotel ownership and management. Mr Kalra's scope of responsibilities in the Harilela Group Hotels include looking after legal matters, the development of new hotels, upgrading and renovations of its existing Hotels, maintaining the product and quality standards in the hotels, overseeing the Hotels' macro operations, managing all ownership matters and arranging with financial institutions for the Group's entire capital and operating funds requirements.

Mr Kalra graduated from the Delhi University with a Bachelor Degree in Arts and a Bachelor Degree in Law.

MR CHENG SHAO SHIONG @ BERTIE CHENG | 73 *Director (Non-Executive)*

Mr Bertie Cheng was appointed a Director in August 1999. He was last re-appointed as Director at the Company's Annual General Meeting on 10 December 2008. He is also a member of the Audit Committee.

Mr Cheng was the former Chief Executive Officer of POSBank and was appointed as advisor to POSBank on 1 June 2010. He was also Group Managing Director of T Holdings Pte Ltd (then known as Thomson Medical Group Pte Ltd) from 1998 to 2002.

Mr Cheng is currently the Chairman of TeleChoice International Limited and Tee International Limited. He is also a director of CFM Holdings Limited, Pacific Andes (Holdings) Ltd and Hong Leong Finance Limited.

Mr Cheng holds a Bachelor of Arts Degree in Economics (Honours) from the University of Malaya in Singapore.

He was awarded the Public Administration Medal (Silver) in 1984 and the Public Service Medal in 2001. He also received the Friend of Labour Award from the National Trade Union Congress (NTUC) in 2008.

MR QUEK SHI KUI | 74

Director (Non-Executive, Independent)

Mr Quek Shi Kui was appointed a Director in June 2004. He is also Chairman of the Audit Committee and the Nominating Committee, and a member of the Remuneration Committee. Mr Quek was last re-appointed as Director at the Company's Annual General Meeting on 10 December 2008.

Mr Quek, a Certified Public Accountant with extensive auditing, accounting and financial experience in Singapore and overseas, was a managing partner of an international accounting firm. He is currently an independent non-executive director and chairman of the Audit Committee and a member of the Nominating, Remuneration and Schemes Committees of Hong Leong Asia Ltd.

Mr Quek is a council member of the Institute of Certified Public Accountants of Singapore and a member of the Association of Chartered Certified Accountants (UK), the Malaysia Institute of Accountants, and the Singapore Institute of Directors. He also serves as Chairman of the Board of Trustees, ACCA Singapore.

DR PHUA WEE THUAN | 51

Director (Non-Executive, Independent)

Dr Phua Wee Thuan was appointed a Director in June 2003. He is also Chairman of the Remuneration Committee and a member of the Nominating Committee. Dr Phua was last re-elected as Director at the Company's Annual General Meeting on 10 December 2008.

Dr Phua is currently an anaesthesiologist in private practice. He is also an accredited specialist under the Ministry of Health, Singapore and is on the Register of Specialists of the Singapore Medical Council. He is also a member of the Singapore Institute of Directors.

Dr Phua holds a Bachelor Degree in Medicine and a Bachelor Degree in Surgery as well as a Master Degree in Medicine (Anaesthesia) from the National University of Singapore. Dr Phua is a Fellow of the Singapore Academy of Medicine, and is on its Roll of Specialists.

MR CHIN SEK PENG | 54

Director (Non-Executive, Independent)

Mr Chin Sek Peng was appointed a Director in December 2004. He is also a member of the Audit Committee and Remuneration Committee. Mr Chin was last re-elected as Director at the Company's Annual General Meeting on 28 December 2006.

Mr Chin is currently a Director of PKF-CAP Advisory Partners Pte Ltd and PKF-CAP Risk Consulting Pte Ltd and a Partner of PKF-CAP LLP, a certified public accounting firm. He was the first Practice Review Director of the Institute of Certified Public Accountants of Singapore in charge of monitoring the compliance of work standards of all audit practices in Singapore. He was formerly a partner in the Assurance and Business Advisory division of legacy Arthur Andersen in Singapore.

Mr Chin holds a Bachelor of Arts (Honours) in Accounting and Finance from Lancaster University, UK and is a Fellow member of the Institute of Chartered Accountants of England and Wales and a Fellow (practising) Certified Public Accountant of Singapore. He is also a member of the Institute of Internal Auditors of Singapore and serves as an independent director of several Singapore listed companies mainly in the capacity of Audit Committee Chairman.

Key Management



From left to right

Standing: Ms Soh Chin Chin, Ms Ho Soo Sum, Mr Philip Yeo Chin Leong, Ms Patricia Lee and Ms Tan Hwee Choo @ Iris Tan.

Seated: Mr Tan Zing Yuen, Mr Yeo Hwee Tiong and Ms Mega Tianadi.

MR YEO HWEE TIONG joined the Group in July 2002 as Group Chief Executive. Mr Yeo was with the National University Hospital (NUH) in 1990 as the Director of Operational Support Services and was promoted to Director of Operations in 1992. He was also the Deputy Chairman of the NUH Phase III Planning Committee and the Project Manager for the Phase III development. He then took on the position of Chief Executive Officer of Singapore's flagship project in the Bangalore Information Technology Park in India between 1994 and 1996. In 1996, Mr Yeo joined HMI Holdings Ltd as Group Chief Executive Officer and also became the Managing Director of Mahkota Medical Centre, Malacca. Between 2000 and 2002, he was also the project consultant to Al-Bukhary Hospital in Alor Setar, Kedah, Malaysia. Mr Yeo was a member of the sub-group committee (market) on the health services sector of the Singapore's Economic Review Committee in 2002. Mr Yeo holds a Bachelor Degree in Science (Building) from Heriot Watt University in Edinburgh, Scotland in the United Kingdom and Master Degree in Science (Project Management) from the National University of Singapore. Mr Yeo is a member of the Singapore Institute of Directors and the Project Director of the Group's first major foray into regional hospital consultancy project, Hanh Phuc International Women and Children Hospital in Binh Duong Province, Vietnam. In October 2010, Mr Yeo was appointed as a Director to the Board of Hanh Phuc Hospital and also assumed the position as Managing Director of the Hospital. Mr Yeo was a winner of the Outstanding Entrepreneur of the Year category in the Asia Pacific Entrepreneurship Awards (APEA) 2009 which recognises business leaders who have shown outstanding performance and tenacity in developing successful businesses within the region.

MS MEGA TIANADI joined the Group as Chief Operating Officer in October 2008. Prior to joining, Ms Tianadi was with the National University Hospital (NUH) from 2001 to 2008, where she was the Director of Operations. During her tenure in NUH, she was instrumental in NUH achieving several quality awards including triple ISO certification and the prestigious Joint

Commission International (JCI) accreditation, the first hospital in Singapore to do so. From 1994 to 2000, Ms Tianadi was the Operations Manager of HMI Balestier Hospital, where she was also involved in the company's regional projects in Malaysia. She started her career as a Pharmacist with Guardian (SEA) in 1987 and over 8 years there she held numerous positions including Pharmacy Manager, Training Manager and Area Manager. Ms Tianadi holds a Bachelor (Hons) degree in Pharmacy from University of Bradford, England and Post Graduate Diplomas in Business Administration and Personnel Management from Singapore Institute of Management and a Post Graduate Diploma in Marketing from the Marketing Institute of Singapore. She also holds a Lean Healthcare Certificate from the College of Engineering, University of Michigan, USA.

MR TAN ZING YUEN joined the Group in September 2009 as Chief Financial Officer. Mr Tan oversees the Group's Finance, Management Information Systems, Business Office and Central Purchasing functions. Mr Tan began his career in 1980 as an Audit Assistant with the then Price Waterhouse (now known as PricewaterhouseCoopers). He left the auditing profession in 1985 to venture into the commercial sector. Mr Tan has held key financial positions in several public-listed companies namely, as Finance Director in Courts Singapore Limited and as Chief Financial Officer of Nippcraft Limited Group and Flairis Technology Corporation Limited Group. In 2002, Mr Tan was appointed Chief Financial Officer of Energy Market Company Pte Ltd which was set up to be the market operator of the Singapore Wholesale Electricity Market, Asia's first liberalised electricity market. From 2006 to 2009 Mr Tan was the Financial Controller in the MediaCorp Group. Besides key responsibilities over the financial function, Mr Tan's broad experience also includes management information systems, human resource management, corporate secretariat and risk management. Mr Tan is a Fellow of the Institute of Certified Public Accountants of Singapore and holds a Bachelor of Accountancy Degree from the University of Singapore (now known as the National University of Singapore).

Key Management

MS SOH CHIN CHIN joined the Group as Director of Business Development (Regional) in July 2005 and is responsible for the Group's regional development in hospital consultancy and management services. She started her career in 1990 with Kwang Sia Pte Ltd and in 1992, joined CESMA International Pte Ltd to head its business development unit. From 1995 to 1999, Ms Soh worked in Hong Bee Land Sdn Bhd and Waterbank Properties (S) Pte Ltd, a wholly-owned subsidiary of the then Delgro Corporation Ltd. Prior to joining the Group, Ms Soh was Group Manager, Corporate Affairs of Health Management International Ltd (HMI) and was responsible for corporate planning, development and communications. At the same time, she acted as Special Assistant to the Group Managing Director of HMI and Mahkota Medical Centre Sdn Bhd. Ms Soh holds a Bachelor Degree of Science in Business Administration and a Master Degree in Business Administration from the University of Kansas, USA, as well as a Master Degree of Science in Real Estate from the National University of Singapore and Bachelor of Arts in Psychology with Sociology from SIM University Singapore.

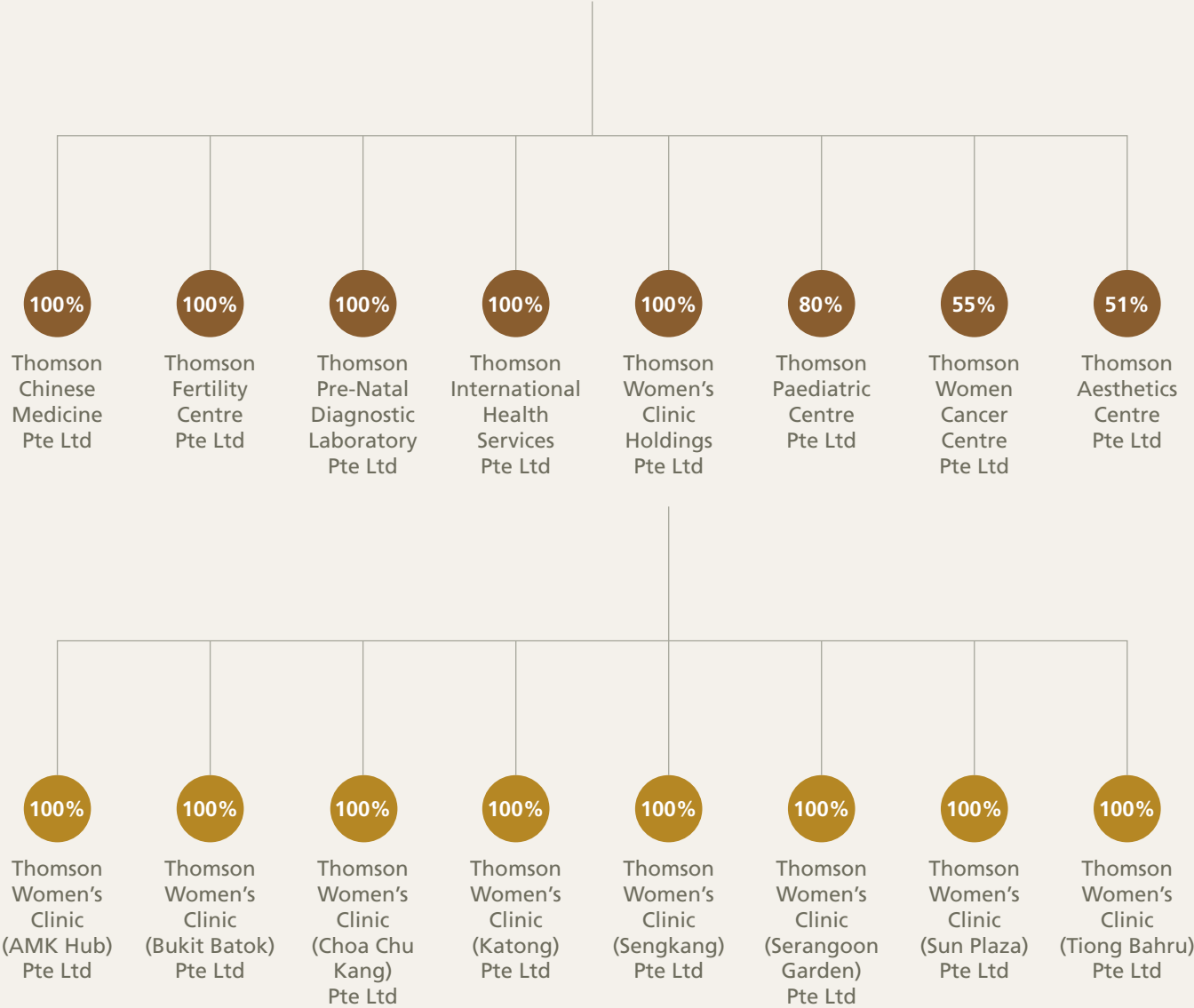
MS HO SOO SUM joined the Group as a Nursing Manager in August 1979 in the maternity ward. As the Director of Nursing, she is responsible for the operations of the Nursing Division, maintaining and implementing quality nursing standards through continuous staff education and development. A pioneer with the Group, Ms Ho has been recognised for having worked with the Group since its inception 31 years ago. Ms Ho started her nursing career with Singapore General Hospital as a Staff Nurse. She then joined Mount Alvernia Hospital in 1969 as a midwife and was subsequently promoted to a Nursing Officer. Ms Ho graduated from the School of Nursing, Ministry of Health.

MS PATRICIA LEE joined the Group in August 2010 as Director of Corporate Development. She is responsible for managing the Group's corporate communications and brand development as well as expanding revenues through identification of new market opportunities. A seasoned communications professional, Ms Lee has more than 20 years of experience in corporate and marketing communications covering advertising, public relations, marketing, website management and journalism. Prior to joining the Group, she was heading the marketing communications team at Singapore Health Services (SingHealth), where she was involved in managing several

key projects and public events. Other roles include successful stints as Head of Corporate Communications at publicly-listed regional organisations such as Wing Tai Asia and Sime Darby Singapore; and as a Multimedia (TV & Radio) Producer at Bloomberg LP, the multi-national financial data and news agency. Ms Lee holds a Bachelor Degree in Science (Journalism) from University of Oregon, USA.

MS TAN HWEI CHOO @ IRIS TAN, Director of Doctor Relations, joined the Group in 1996 as a Nursing Officer and moved into the area of doctor relations in 1998. She is responsible for increasing the inpatient load, recruiting new doctors, providing a channel for doctors' feedback and promoting services to doctors. Ms Tan started her nursing career in the cardiothoracic unit of Tan Tock Seng Hospital. She obtained her midwifery training and qualification in Scotland before returning to Singapore. She worked in maternity-related patient care at Mount Alvernia Hospital for seven years before joining the Group. Ms Tan holds a Bachelor Degree in Health Science from the University of Sydney.

MR PHILIP YEO CHIN LEONG joined the group as Director of Human Resource in November 2009. He brings to the Group over twenty years of Human Resource Management, Organisational Development and Human Resource Development experiences. Prior to joining the Group, his last three consecutive positions were as the HR head of the Energy Market Company, Sentosa Development Corporation and Pico Art International. In these organisations, Mr Yeo spearheaded the development, alignment and management of the HR infrastructure to better meet and exceed the various organisations' longer-term business objectives. The HR infrastructure covered the integration of competency based Performance Management; Training and Talent Management; and Appointment systems. Also in Pico Art International, Mr Yeo established and managed its Overseas Headquarters (OHQ) Training Institute that served the training and development needs of the staff in both the OHQ and subsidiaries that span over 15 countries. In the area of Organisational Development, Mr Yeo has been involved in various intervention projects that dealt with the strengthening of corporate performance through the introduction of various staff engagement programmes. Mr Yeo graduated from the National University of Singapore with a Bachelor of Arts and Social Science.



Corporate Information

DIRECTORS

Dr Cheng Wei Chen
(Executive Chairman)

Dr Cheng Li Chang
(Executive Deputy Chairman)

Dr Hari Naroomal Harilela
(Non-Executive Director)

Mr Mohinder Singh Kalra
(Alternate Director to Dr Hari Naroomal Harilela)

Mr Cheng Shao Shiong @ Bertie Cheng
(Non-Executive Director)

Mr Quek Shi Kui
(Independent Director)

Dr Phua Wee Thuan
(Independent Director)

Mr Chin Sek Peng
(Independent Director)

JOINT SECRETARIES

Ms Foo Soon Soo
LLB, FCIS, FCPA (S'pore), FCPA (Aust)

Ms Prisca Low
ACIS

SHARE REGISTRAR

KCK CorpServe Pte. Ltd.
333 North Bridge Road
#08-00 KH KEA Building
Singapore 188721

BANKERS

Standard Chartered Bank

UBS AG

DBS Bank Ltd

Malayan Banking Berhad

Oversea-Chinese Banking Corporation Limited

INDEPENDENT AUDITORS

Foo Kon Tan Grant Thornton
Certified Public Accountants
47 Hill Street
#05-01 Singapore Chinese Chamber
of Commerce & Industry Building
Singapore 179365

Partner-in-charge: Mr Kon Yin Tong
(with effect from financial year ended 31 August 2010)

COMPANY REGISTRATION NUMBER

197702260R

REGISTERED OFFICE

339 Thomson Road
Singapore 307677
Tel: (65) 6250 2222
Fax: (65) 6253 4468
Website: www.ThomsonMedical.com.sg

Thomson Medical Centre Limited (the “Company”) is committed to ensuring and maintaining a high standard of corporate governance within the Group. This report describes the corporate governance framework and practices of the Company with specific reference made to each of the principles of the Code of Corporate Governance 2005 (the “Code”).

BOARD MATTERS

The Board’s Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The primary role of the Board is to protect and enhance long-term shareholders’ value. The Board oversees the proper conduct of the Group, sets the corporate strategies, direction and goals for the Management. The Board is responsible for the overall corporate governance of the Group.

To assist in the execution of its responsibilities, the Board has established a number of Board Committees, namely the Nominating Committee, the Remuneration Committee and the Audit Committee. These committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly reviewed by the Board.

(i) Board Function

The Board meets regularly to supervise, direct and control the Group’s business and affairs. Interested Person Transactions and the Group’s internal control procedures are also reviewed by the Board. Major investments and fund decision are approved by the Board.

The principal functions of the board are to:

- (a) approve annual reports and financial statements;
- (b) approve public release of information including the periodic financial result announcements to SGX-ST;
- (c) establish, with Management, the Group’s overall corporate strategic and financial objectives, directions to be implemented by management and monitors the achievement and performance of these corporate objectives by Management;
- (d) approve the Group’s annual budgets and corporate policies;
- (e) decide on matters in relation to the Group’s activities which are of a significant nature, including decisions on strategic directions and guidelines and the approval of periodic plans and major investments and divestments;
- (f) approve material acquisitions and disposal of assets;
- (g) approve transactions involving a conflict of interest for a substantial shareholder or a director or interested person transactions;
- (h) approve appointment of new directors;
- (i) oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance, and satisfy itself as to the adequacy of such processes; and
- (j) convene shareholders’ meetings.

Corporate Governance Statement

BOARD MATTERS (cont'd)

The Board's Conduct of its Affairs (cont'd)

(ii) Board Committee and Attendance at Board/Board Committee Meetings

As aforesaid, the Board has established the Nominating Committee, the Remuneration Committee and the Audit Committee with clearly defined terms of references and operating procedures.

The Company's Articles of Association, in the case of the Board and the terms of reference of the Board Committees are sufficiently flexible to allow the Board and Board Committee meetings to be conducted by way of telephone or video conferencing, provided the requisite quorum of majority of the directors is present.

The table below sets out the attendances at meeting of the members of the Board and the Board Committees which were convened during the financial year:

Name of Directors	Board Meeting		Audit Committee		Nominating Committee		Remuneration 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	No. of Meetings Held	No. of Meetings Attended
Dr Cheng Wei Chen	5	5	–	–	1	1	–	–
Dr Cheng Li Chang	5	5	–	–	–	–	–	–
Dr Hari Naroomal Harilela (Alternate: Mr Mohinder Singh Kalra)	5	5	–	–	–	–	–	–
Mr Cheng Shao Shiong @ Bertie Cheng	5	3	4	4	–	–	–	–
Mr Quek Shi Kui	5	5	4	4	1	1	1	1
Dr Phua Wee Thuan	5	5	–	–	1	1	1	1
Mr Chin Sek Peng	5	5	4	4	–	–	1	1

(iii) Training for Directors

All Directors are updated on an on-going basis through Board meetings or by way of circulars on matters relating to changes to the regulations of the Singapore Exchange Securities Trading Limited ("SGX-ST"), Companies Act, financial reporting, and other statutory requirements.

The Directors may at any time request further explanation, briefing or informal discussion on any aspects of the Company and the Group's operations. Given the need to keep abreast of new development on corporate governance, the Board encourages the Directors to attend relevant seminars and courses at the Company's expense. New directors will be briefed on the Company's business and governance practices and their statutory duties and responsibilities as directors.

Mr Cheng Shao Shiong @ Bertie Cheng, a Non-Executive Director, Mr Quek Shi Kui and Mr Chin Sek Peng who are Independent Directors are individually also directors of several companies listed on the SGX-ST.

Dr Cheng Wei Chen, Dr Cheng Li Chang, Mr Quek Shi Kui and Dr Phua Wee Thuan are members of the Singapore Institute of Directors.

BOARD MATTERS (cont'd)

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises seven directors and one alternate director. Three of the directors are Independent Directors. The Directors of the Company are:

Dr Cheng Wei Chen, *Executive Chairman*

Dr Cheng Li Chang, *Executive Deputy Chairman*

Dr Hari Naroomal Harilela, *Non-Executive Director*

Mr Mohinder Singh Kalra, *Alternate to Dr Hari Naroomal Harilela*

Mr Cheng Shao Shiong @ Bertie Cheng, *Non-Executive Director*

Mr Quek Shi Kui, *Independent Director*

Dr Phua Wee Thuan, *Independent Director*

Mr Chin Sek Peng, *Independent Director*

The criteria for independence are determined based on the definition as provided 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 directors' independent judgment of the Group's affairs.

As non-executive members of the Board, the Independent Directors do not exercise any management functions in the Company or any of its subsidiary companies. 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 Management are fully discussed and rigorously examined including taking into account the long-term interests, not only of the shareholders, but also of patients, employees, suppliers and the many communities in which the Group conducts its business. The Board considers that the number of Non-Executive Directors 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 and holding in shares and options as set out in the Directors' Report.

Particulars of interest of Directors who held office at the end of the financial year in shares in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the 'Directors' Report' on pages 54 to 61 of this annual report. Key information regarding the directors can be found in the 'Board of Directors' on pages 32 to 35 of the annual report. The Company has not issued any debentures and warrants to Directors.

The composition of the Board will be reviewed on an annual basis by the Nominating Committee. The Nominating Committee has on 26 October 2010 evaluated and reviewed the Board's composition and is of the view that the current Board members comprise persons whose diverse skills, experience and attributes provide for effective direction for the Group.

On 29 October 2010 Sasteria Pte. Ltd. announced that it intended to make a mandatory conditional cash offer for the Company. At the date of this statement, it holds 87.1% of the issued shares of the Company and has nominated 5 new Directors to the Board of the Company. The Nominating Committee has considered the experience and credentials of the proposed new Directors and recommended to the Board that their respective appointments be tabled at the forthcoming annual general meeting of the Company for shareholders' approval.

Corporate Governance Statement

BOARD MATTERS (cont'd)

Board Composition and Balance (cont'd)

In recognition that Sasteria Pte. Ltd. as the new controlling shareholder of the Company is nominating a new Board who would bring with them their visions and strategies for the Company, the existing Directors, Dr Cheng Wei Chen, Dr Hari Naroomal Harilela, Mr Mohinder Singh Kalra (Alternate to Dr Hari Naroomal Harilela), Mr Cheng Shao Shiong @ Bertie Cheng and Mr Quek Shi Kui who are due to retire pursuant to Section 153(2) of the Companies Act have signified that they would not stand for re-appointment. Dr Cheng Li Chang who is due to retire by rotation pursuant to Article 91 of the Company's Articles of Association has signified that he would not stand for re-election. Dr Phua Wee Thuan and Mr Chin Sek Peng have also indicated that they would tender their resignation to take effect at the conclusion of the forthcoming annual general meeting so as to allow the new proposed Board to take over the leadership and management of the Company and its subsidiaries.

The curriculum vitae of the proposed new Directors are annexed to the Notice of Annual General Meeting for shareholders' reference.

Chairman, Deputy Chairman and Group Chief Executive

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The roles of the Executive Chairman, Executive Deputy Chairman and the Group Chief Executive are separate and distinct, each having their own areas of responsibilities.

Dr Cheng Wei Chen, Executive Chairman

Dr Cheng Wei Chen the founder of Thomson Medical Centre Limited is the Executive Chairman of the Group. Dr Cheng has executive responsibility for the Company's business and ensures the proper proceedings of the Board. Being instrumental in the development of the Company since its inception, Dr Cheng continues to provide sound and strong leadership in furthering the business development of the Group.

In assuming his roles and responsibilities, Dr Cheng consults with the Board, Audit Committee, Nominating Committee and Remuneration Committee on major issues and as such, the Board believes that there are adequate safeguards in place against having a concentration of power and authority in a single individual.

Dr Cheng Li Chang, Executive Deputy Chairman

Dr Cheng Li Chang is the Executive Deputy Chairman of the Group and also the son of Dr Cheng Wei Chen, Executive Chairman. Apart from assisting the Executive Chairman, he advises the Board on strategic plans. As an established medical specialist, Dr Cheng Li Chang also provides medical input to the Board and Management on medical related matters.

Mr Yeo Hwee Tiong, Group Chief Executive

Mr Yeo Hwee Tiong is the Group Chief Executive and is responsible for the business operations of the companies under the Group. As Group Chief Executive, Mr Yeo Hwee Tiong reports to the Board and ensures that policies and strategies adopted by the Board are implemented.

BOARD MATTERS (cont'd)

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board. As a principle of good corporate governance, all directors should be required to submit themselves for re-nomination and re-election at regular intervals.

The Nominating Committee comprises three members, majority of whom including its Chairman are Independent Directors. The members of the Nominating Committee are:

Mr Quek Shi Kui, Chairman (*Independent Director*)
Dr Cheng Wei Chen, Member (*Executive Chairman*)
Dr Phua Wee Thuan, Member (*Independent Director*)

The Nominating Committee functions under the terms of reference which sets out its responsibilities:

- (a) To recommend to the Board on all board appointments, re-appointments and re-nominations;
- (b) To ensure that Independent Directors meet SGX-ST's guidelines and criteria; and
- (c) To assess the effectiveness of the Board as a whole and the effectiveness and contribution of each Director to the Board.

The Articles of Association of the Company require that one-third of the Board retires from office at each Annual General Meeting ("AGM"). Accordingly, the Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three years.

The Nominating Committee has conducted an annual review of the independence of the Independent Directors, using the criteria of independence in the Code, and has ascertained that they are independent.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

For the year under review, the Nominating Committee has assessed the effectiveness of the Board as a whole. In assessing the Board's effectiveness, the Nominating Committee considers a number of factors, namely, the Board's access to information, Board proceedings, the discharge of the Board's functions and the communications and guidance given by the Board to Management. The Nominating Committee takes into consideration the attendance record at meetings of the Board and the Board Committees, and the contribution of each Director to the effectiveness of the Board.

The Nominating Committee also examines the Board's size and composition to satisfy that it is appropriate for effective decision making, taking into account the nature and scope of the Company's operations. The Nominating Committee has used efforts to ensure that individually, each director, in their respective areas of expertise, such as hospitality, finance and accounting, corporate advisory and healthcare services, brings to the Board an independent and objective perspective thereby allowing balanced and well-considered decisions to be made.

For the year under review, peer reviews of each Director's effective contribution are conducted and the peer assessments are reviewed by the Nominating Committee. Some factors considered in the individual review are Directors' attendance and participation at meetings, candidness, and the sharing of their specialist knowledge and areas of expertise.

Corporate Governance Statement

BOARD MATTERS (cont'd)

Access to Information

Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

The Management provides the Directors with a regular supply of information about the Group's financial and operational performance. Detailed Board papers are prepared for each meeting of the Board. The Board papers contain sufficient information from Management on financial, operational and corporate issues to enable the Directors to be properly apprised on issues to be deliberated and considered at Board meetings. The Board of Directors participates and also contributes in the Company's strategic planning sessions together with Management.

All Directors have unrestricted access to the Company's records and information and receive detailed financial and operational reports from Management during the year to enable them to carry out their duties. Directors also liaise with senior management as and when required.

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 established procedures and relevant statutes and regulations are complied with. The Company Secretary attends all Board and Board Committees 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 fulfill their duties and responsibilities as Directors.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee comprises three members, all of whom are Non-Executive and Independent Directors of the Company, in accordance with the requirement of the Code. The members of the Remuneration Committee are:

Dr Phua Wee Thuan, Chairman (*Independent Director*)

Mr Quek Shi Kui, Member (*Independent Director*)

Mr Chin Sek Peng, Member (*Independent Director*)

The Remuneration Committee functions under the terms of reference which sets out its responsibilities as follows:

- (a) To recommend to the Board a framework for remuneration for the Directors and key executives of the Company;
- (b) To determine specific remuneration packages for each Executive Director; and
- (c) To review the remuneration of senior management staff; and
- (d) To review the framework of compensation for Non-Executive Directors.

REMUNERATION MATTERS (cont'd)

Procedures for Developing Remuneration Policies (cont'd)

The recommendations of the Remuneration Committee are submitted to the Board for approval. The Remuneration Committee will be provided with access to expert professional advice on remuneration matters as and when necessary. The expense of such services shall be borne by the Company.

All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options issued under the Thomson Medical Share Option Scheme and benefits-in-kind shall be reviewed by the Remuneration Committee.

Each member of the Remuneration Committee has refrained from voting on any resolution in respect of the assessment of his remuneration. No Director is involved in deciding his own remuneration.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

In setting remuneration packages, the Remuneration Committee will take into consideration the pay and employment conditions within the industry and in comparable companies. The remuneration of Non-Executive Directors is reviewed to ensure that the remuneration is commensurate with the contribution and responsibilities of the Directors.

The Company will submit the quantum of Directors' fees of each year to the shareholders for approval at each AGM.

The Executive Directors have service agreements. The service agreements cover the terms of employment, salaries and other benefits. Non-executive Directors have no service contracts. The Executive Directors do not receive Directors' fee.

The Thomson Medical Share Option Scheme (the "Scheme") was approved by shareholders of the Company on 23 December 2004. Pursuant to the mandatory unconditional cash offer by Sasteria Pte. Ltd. (which turns unconditional on 4 November 2010), all issued options which had not been exercised by the closing date of the offer on 10 December will lapse on the earlier of 6 months after 4 November 2010 or on the expiry of the original exercise period whichever is earlier.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

Corporate Governance Statement

REMUNERATION MATTERS (cont'd)

Disclosure on Remuneration (cont'd)

The summary compensation table for the Directors and top five key executives of the Group for the financial year ended 31 August 2010 is set out below:

	Salary %	Bonus %	Directors' Fees %	Professional Fees %	Share Options Granted %	Allowances and Other Benefits %	Total Compensation %
DIRECTORS							
\$1,250,000 to \$1,500,000							
Dr Cheng Li Chang <i>Executive Deputy Chairman</i>	21	46	–	29	2	2	100
\$750,000 to \$1,000,000							
Dr Cheng Wei Chen <i>Executive Chairman</i>	27	64	–	–	2	7	100
Below \$249,999							
Dr Hari Naroomal Harilela <i>Non-Executive Director</i>	–	–	56	–	44	–	100
Mr Cheng Shao Shiong @ Bertie Cheng <i>Non-Executive Director</i>	–	–	62	–	38	–	100
Dr Phua Wee Thuan <i>Independent Director</i>	–	–	61	–	39	–	100
Mr Quek Shi Kui <i>Independent Director</i>	–	–	72	–	28	–	100
Mr Chin Sek Peng <i>Independent Director</i>	–	–	65	–	35	–	100
KEY EXECUTIVES OF THE GROUP							
\$500,000 to \$1,000,000							
Mr Yeo Hwee Tiong <i>Group Chief Executive</i>	35	61	–	–	3	1	100
Below \$249,999							
Mrs Mega Shuen <i>Chief Operating Officer</i>	79	18	–	–	3	–	100
[†] Mr Tan Zing Yuen <i>Chief Financial Officer</i>	96	4	–	–	–	–	100
[#] Ms Wong Peng Chi May <i>Director of Corporate Development</i>	72	13	–	–	13	2	100
[*] Ms Patricia Lee <i>Director of Corporate Development</i>	100	–	–	–	–	–	100
[^] Mr Philip Yeo Chin Leong <i>Director of Human Resource</i>	96	4	–	–	–	–	100
Ms Ho Soo Sum <i>Director of Nursing</i>	70	15	–	–	15	–	100

[†] Appointed on 28 September 2009

[#] Resigned on 31 July 2010

^{*} Appointed on 2 August 2010

[^] Appointed on 2 November 2009

REMUNERATION MATTERS (cont'd)

Disclosure on Remuneration (cont'd)

Other than the Executive Directors, Drs Cheng Wei Chen and Cheng Li Chang and the Non-Executive Director, Mr Cheng Shao Shiong @ Bertie Cheng who are related to each other, there are no employees of the Group who are immediate family members of the Directors and whose remuneration exceed \$150,000 during the financial year ended 31 August 2010.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to the shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information to shareholders in compliance with statutory requirements and the Listing Manual of the SGX-ST.

Price sensitive information will be publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports will be announced or issued within the mandatory periods and are available on the Company's website.

Audit Committee

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee comprises three members, all of whom are non-executive and the majority, including its Chairman, are independent directors. The Audit Committee comprises the following members:

Mr Quek Shi Kui, Chairman (*Independent Director*)
Mr Cheng Shao Shiong @ Bertie Cheng, Member (*Non-Executive Director*)
Mr Chin Sek Peng, Member (*Independent Director*)

The Audit Committee functions under the terms of reference which sets out its responsibilities as follows:

- (a) To review the audit plans of both the internal and external auditors;
- (b) To review the auditors' reports and their evaluation of the Company's and Group's system of internal controls;
- (c) To review the effectiveness and adequacy of the internal audit function which is outsourced to a professional firm;
- (d) To review the co-operation given by the Company's Management to the internal and external auditors;
- (e) To review interested person transactions;
- (f) To review the balance sheet of the Company and the consolidated financial statements of the Group for the year ended 31 August 2010 before their submission to the Board, as well as the auditors' report on the balance sheet of the Company and the consolidated financial statements of the Group;
- (g) To review the independence of auditors;
- (h) To review and recommend appointment of auditors to the Board;
- (i) To review periodic and annual financial result announcements to SG-ST; and
- (j) To oversee the effective functioning of the Company's whistle-blowing policy.

Corporate Governance Statement

ACCOUNTABILITY AND AUDIT (cont'd)

Audit Committee (cont'd)

The Audit Committee has the power to conduct or authorise investigations into any matters within the Audit Committee's scope of responsibility. The Audit Committee is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company. Each member of the Audit Committee shall abstain from voting any resolutions in respect of matters he is interested in.

The Audit Committee has full access to and co-operation of the Management and has full discretion to invite any Director or executive officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

The Audit Committee meets with the external auditors without the presence of the Management at least once a year.

The Audit Committee reviews the independence of the external auditors annually. The Audit Committee, having reviewed the range and value of non-audit services performed by the external auditors, Foo Kon Tan Grant Thornton LLP was satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The Audit Committee has recommended that Foo Kon Tan Grant Thornton LLP be nominated for re-appointment as auditors at the forthcoming AGM.

Internal Controls

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Board ensures that a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls is conducted annually. In this respect the Board through the Audit Committee reviewed the audit plans, and the findings of the auditors and ensured that the Company follows up on the auditors' recommendations raised, if any, during the audit process.

The Board acknowledges that a system of internal control is designed to manage rather than to eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss and therefore no cost effective internal control system will preclude all errors and irregularities.

Based on the Audit Committee's discussions with the external and internal auditors and the management's responses to their recommendations for improvement to the Group's internal controls, the Board is satisfied that Management has put in place a system of internal controls to safeguard the Group's assets and ensure compliance with laws and regulations and the reliability of financial reporting.

Internal Audit

Principle 13: The Company should establish an internal audit function that is independent of the activities it audits.

The Company has engaged BDO Raffles Consultants Pte Ltd as its Internal Auditors. The Internal Auditors reports directly to the Chairman of the Audit Committee on all internal audit matters.

ACCOUNTABILITY AND AUDIT (cont'd)

Internal Audit (cont'd)

The primary functions of Internal Auditors are to help:

- (a) Assess if adequate systems of internal controls are in place to protect the funds and assets of the Group and to ensure control procedures are complied with;
- (b) Assess if operations of the business processes under review are conducted efficiently and effectively;
- (c) Identify and recommend improvement to internal control procedures, where required; and
- (d) To review interested persons transactions.

The Audit Committee meets with the Internal Auditors without the presence of the Management at least once a year.

Non-compliance and internal control weaknesses noted during the internal audit and the recommendations thereof are reported to the Audit Committee as part of the review of the Group's internal control system. The Audit Committee reviews the Internal Auditor's scope of work on an annual basis.

COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGMs and allow shareholders the opportunity to communicate their views on various matters affecting the company.

In line with continuous obligations of the Company pursuant to the SGX-ST's Listing Rules, the Board's policy is that all shareholders be informed of all major developments that affect the Group.

Information is disseminated to shareholders on a timely basis through:

- (a) SGXNET announcements and news release;
- (b) Annual Report prepared and issued to all shareholders;
- (c) Press releases on major developments of the Group;
- (d) Notices of and explanatory memoranda for AGM and extraordinary general meetings ("EGM"); and
- (e) Company's website at www.ThomsonMedical.com.sg at which shareholders can access information on the Group.

The Company's AGMs are the principal forums for dialogue with shareholders. The Chairmen of the Audit, Remuneration and Nominating Committees are normally available at the meetings to answer any question relating to the work of these committees. The External Auditors shall also be present to assist the Directors in addressing any relevant queries by the shareholders.

Shareholders are encouraged to attend the AGM/EGM to ensure high level of accountability and to stay apprised of the Group's strategy and goals. Notice of the AGM/EGM will be advertised in newspapers and announced on SGXNET.

Dealing In Securities

The Company has in place a policy prohibiting share dealings by Directors and Management of the Company for the period of two weeks for the first three quarters' and one month for the full year results announcements. Furthermore, the Directors and Management who are in possession of price-sensitive information on the Group should not deal in the Company's securities until the date of announcement of such information. Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

Corporate Governance Statement

COMMUNICATION WITH SHAREHOLDERS (cont'd)

Interested Person Transactions

The Company has established review and approval procedures to ensure that interested person transactions entered into by the group are conducted on normal commercial terms and are not prejudicial to the interest of the group and its minority interests.

The interested person transactions transacted for the financial year ended 31 August 2010 by the Group are as follows:

Name of Interested Person	Aggregate value of all interested person transactions conducted during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than \$100,000)
WC Cheng & Associates – Rental income	\$350,302	–

Material Contracts

There was no material contracts entered into by the Company or any of its subsidiary companies involving the interest of the Group Chief Executive, any Director, or controlling shareholder during the financial year ended 31 August 2010.

Risk Management

The practice of risk management is undertaken by the senior executives of each business units under the guidance of the Board of Directors. This involves a continuous process of enhancing risk awareness and promoting a culture of risk management across the Group. As risks cannot be totally eliminated, measures are taken to mitigate areas of significant risks that have been identified.

In areas of operational risks Management continuously reviews and updates the Group's standard operating policies to ensure best practices are put in place.

The Group's financial risk management objectives and policies are discussed under Note 28 of the Financial Statements, on pages 103 to 107 of the Annual Report.

The Board is satisfied with the Group's risk management practices and that the risks facing the Group have been adequately addressed.

Codes of Conduct and Practice

The Group has a code of internal corporate governance practices, policy statements and standards, as described in this report, which is made available to the Board members.

The Group also has a code of conduct that applies to all employees. The Code sets out principles to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing with the Group, its patients, doctors, customers, suppliers, competitors and the community. The code of conduct covers areas such as conduct in the workplace, business conduct, safeguarding of the Group's assets and conflict of interest. The Group's Employees' Handbook describes the policies and standards by which employees are expected to conduct themselves in the course of their employment with the Group.

Whistle-Blowing Policy

The Group is committed to a high standard of ethical conduct. During the financial year under review, the Group has adopted and implemented a whistle-blowing policy, endorsed by the Audit Committee where employees may in confidence, raise concerns on possible corporate improprieties in matters of financial reporting, suspected fraud, corruption, dishonest practices or other matters. There are also arrangements in place for an independent investigation of such matters and for appropriate follow up action. Details of the whistle-blowing policies and arrangements are posted in the Company's intranet for staff's easy reference. New employees are also briefed on the whistle-blowing policies during the staff orientation programme.

There were no whistle-blowing related complaints received during the year and until the date of this report.

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Directors' Report

for the year ended 31 August 2010

The Directors submit this annual report to the members together with the audited consolidated financial statements of the Group and balance sheet of the Company for the financial year ended 31 August 2010.

NAMES OF DIRECTORS

The Directors in office at the date of this report are:

Dr Cheng Wei Chen
Dr Cheng Li Chang
Dr Hari Naroomal Harilela
Mr Mohinder Singh Kalra (alternate to Dr Hari Naroomal Harilela)
Mr Cheng Shao Shiong @ Bertie Cheng
Mr Quek Shi Kui
Dr Phua Wee Thuan
Mr Chin Sek Peng

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement the object of which was to enable the Directors to acquire benefits through the acquisition of shares in or debentures of the Company or of any other corporate body, other than as disclosed in this report.

DIRECTORS' INTEREST IN SHARES OR DEBENTURES

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, none of the Directors who held office at the end of the financial year was interested in shares and share options of the Company and its related corporations except as follows:

	Number of ordinary shares					
	Shares registered in the name of Director			Shares in which Director is deemed to have an interest		
	As at 1.9.2009	As at 31.8.2010	As at 21.9.2010	As at 1.9.2009	As at 31.8.2010	As at 21.9.2010
The Company – Thomson Medical Centre Limited						
Dr Cheng Wei Chen	33,517,655	33,517,655	33,517,655	72,135,030	72,135,030	72,135,030
Dr Cheng Li Chang	3,557,620	3,577,620	3,577,620	62,159,240	62,159,240	62,159,240
Dr Hari Naroomal Harilela	1,629,540	1,629,540	1,629,540	50,633,274	50,078,874	50,078,874
Mr Cheng Shao Shiong @ Bertie Cheng	91,685*	91,685*	91,685*	–	–	–
Dr Phua Wee Thuan	1,442,870	1,442,870	1,442,870	55,000	155,000	155,000
Mr Mohinder Singh Kalra (alternate to Dr Hari Naroomal Harilela)	–	–	–	4,293,370	4,847,770	4,847,770
Mr Quek Shi Kui	–	–	–	–	–	–
Mr Chin Sek Peng	–	–	–	–	–	–

* Registered in the name of a nominee

DIRECTORS' INTEREST IN SHARES OR DEBENTURES (cont'd)

	Number of ordinary shares			
	Shares registered in the name of Director		Shares in which Director is deemed to have an interest	
	As at 31.8.2010		As at 31.8.2010	
	As at 1.9.2009	and 21.9.2010	As at 1.9.2009	As at 21.9.2010
Thomson Aesthetics Centre Pte Ltd				
Dr Cheng Wei Chen	–	–	153,000	153,000
Dr Cheng Li Chang	–	–	153,000	153,000
Thomson Women Cancer Centre Pte Ltd				
Dr Cheng Wei Chen	–	–	55	55
Dr Cheng Li Chang	–	–	55	55
Thomson Paediatric Centre Pte Ltd				
Dr Cheng Wei Chen	–	–	–	80,000
Dr Cheng Li Chang	–	–	–	80,000

Number of options over ordinary shares
in the Company registered in the name of Director

Name of Director	As at	As at 31.8.2010
	1.9.2009	and 21.9.2010
Exercisable at \$0.547 per option between 15.8.2010 and 14.8.2013		
Mr Cheng Shao Shiong @ Bertie Cheng	75,000	75,000
Mr Quek Shi Kui	75,000	75,000
Dr Phua Wee Thuan	75,000	75,000
Mr Chin Sek Peng	75,000	75,000
Exercisable at \$0.547 per option between 15.8.2011 and 14.8.2013		
Mr Cheng Shao Shiong @ Bertie Cheng	75,000	75,000
Mr Quek Shi Kui	75,000	75,000
Dr Phua Wee Thuan	75,000	75,000
Mr Chin Sek Peng	75,000	75,000
Exercisable at \$0.547 per option between 15.8.2012 and 14.8.2013		
Mr Cheng Shao Shiong @ Bertie Cheng	150,000	150,000
Mr Quek Shi Kui	150,000	150,000
Dr Phua Wee Thuan	150,000	150,000
Mr Chin Sek Peng	150,000	150,000

Directors' Report

for the year ended 31 August 2010

DIRECTORS' INTEREST IN SHARES OR DEBENTURES (cont'd)

Number of options over ordinary shares
in the Company registered in the name of Director

Name of Director	As at	As at 31.8.2010
	1.9.2009	and 21.9.2010
Exercisable at \$0.482 per option between 17.8.2011 and 16.8.2014		
Mr Cheng Shao Shiong @ Bertie Cheng	75,000	75,000
Mr Quek Shi Kui	75,000	75,000
Dr Phua Wee Thuan	75,000	75,000
Mr Chin Sek Peng	75,000	75,000
Dr Cheng Wei Chen	150,000	150,000
Dr Cheng Li Chang	150,000	150,000
Dr Hari Naroomal Harilela	150,000	150,000
Exercisable at \$0.482 per option between 17.8.2012 and 16.8.2014		
Mr Cheng Shao Shiong @ Bertie Cheng	75,000	75,000
Mr Quek Shi Kui	75,000	75,000
Dr Phua Wee Thuan	75,000	75,000
Mr Chin Sek Peng	75,000	75,000
Dr Cheng Wei Chen	150,000	150,000
Dr Cheng Li Chang	150,000	150,000
Dr Hari Naroomal Harilela	150,000	150,000
Exercisable at \$0.482 per option between 17.8.2013 and 16.8.2014		
Mr Cheng Shao Shiong @ Bertie Cheng	150,000	150,000
Mr Quek Shi Kui	150,000	150,000
Dr Phua Wee Thuan	150,000	150,000
Mr Chin Sek Peng	150,000	150,000
Dr Cheng Wei Chen	300,000	300,000
Dr Cheng Li Chang	300,000	300,000
Dr Hari Naroomal Harilela	300,000	300,000

By virtue of the provisions of Section 7 of the Companies Act, Cap. 50, Dr Cheng Wei Chen and Dr Cheng Li Chang are deemed to be interested in the entire issued share capital of all the wholly-owned subsidiaries of Thomson Medical Centre Limited.

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit, other than as disclosed in the attached financial statements and in this report, 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 of or with a company in which he has a substantial financial interest.

SHARE OPTIONS

The Thomson Medical Share Option Scheme ("Scheme") was approved by shareholders at an Extraordinary General Meeting held on 23 December 2004. The Scheme allowed participation of Directors, employees and persons who are controlling shareholders or an associate to controlling shareholders who have contributed significantly to the growth of the Group to participate in the equity of the Company, subject to the specific approval of the independent shareholders.

The Scheme became operative upon the Company granting options to subscribe for 3,608,000 ordinary shares of the Company on 17 August 2007 (1st series). The Company also granted options to subscribe for 6,609,000 ordinary shares of the Company on 15 August 2008 (2nd series).

At an Extraordinary General Meeting held on 10 December 2008, specific approval of independent shareholders was obtained for the grant of 600,000 options each to three controlling shareholders.

The Company granted options to subscribe for 8,747,000 ordinary shares of the Company on 17 August 2009 (3rd series), which includes 600,000 options each to three controlling shareholders.

Options are granted for a term of five years by the Remuneration Committee. The subscription price of the options is determined at a discount of 10% off the average closing price of the Company's shares on the Singapore Exchange Securities Trading Limited on the five business days immediately preceding the date of the grant of such options.

The options may be exercised by the option holders not earlier than two years and not later than five years from the date of offer as follows:

- 25% after second anniversary
- 50% after third anniversary
- 100% after fourth anniversary

Under the Scheme, the aggregate number of shares may be issued shall not exceed five per cent (5%) of the total issued share capital of the Company.

SHARE OPTIONS GRANTED

Categories of persons who have accepted options granted are as follows:

	Date granted	Discount to market price (%)	Total number of ordinary shares under options granted	Subscription price of options granted	Exercise period
1st series					
Key executive employees	17.8.2007	10	90,000	\$0.567	17.8.2009 to 16.8.2012
Employees	17.8.2007	10	704,750	\$0.567	17.8.2009 to 16.8.2012
Key executive employees	17.8.2007	10	90,000	\$0.567	17.8.2010 to 16.8.2012
Employees	17.8.2007	10	704,750	\$0.567	17.8.2010 to 16.8.2012
Key executive employees	17.8.2007	10	180,000	\$0.567	17.8.2011 to 16.8.2012
Employees	17.8.2007	10	1,409,500	\$0.567	17.8.2011 to 16.8.2012
			<u>3,179,000</u>		

Directors' Report

for the year ended 31 August 2010

SHARE OPTIONS GRANTED (cont'd)

	Date granted	Discount to market price (%)	Total number of ordinary shares under options granted	Subscription price of options granted	Exercise period
2nd series					
Directors*	15.8.2008	10	300,000	\$0.547	15.8.2010 to 14.8.2013
Key executive employees	15.8.2008	10	175,000	\$0.547	15.8.2010 to 14.8.2013
Employees	15.8.2008	10	839,250	\$0.547	15.8.2010 to 14.8.2013
Directors*	15.8.2008	10	300,000	\$0.547	15.8.2011 to 14.8.2013
Key executive employees	15.8.2008	10	175,000	\$0.547	15.8.2011 to 14.8.2013
Employees	15.8.2008	10	839,250	\$0.547	15.8.2011 to 14.8.2013
Directors*	15.8.2008	10	600,000	\$0.547	15.8.2012 to 14.8.2013
Key executive employees	15.8.2008	10	350,000	\$0.547	15.8.2012 to 14.8.2013
Employees	15.8.2008	10	1,678,500	\$0.547	15.8.2012 to 14.8.2013
			<u>5,257,000</u>		
3rd series					
Directors	17.8.2009	10	750,000	\$0.482	17.8.2011 to 16.8.2014
Key executive employees	17.8.2009	10	337,500	\$0.482	17.8.2011 to 16.8.2014
Employees	17.8.2009	10	642,000	\$0.482	17.8.2011 to 16.8.2014
Directors	17.8.2009	10	750,000	\$0.482	17.8.2012 to 16.8.2014
Key executive employees	17.8.2009	10	337,500	\$0.482	17.8.2012 to 16.8.2014
Employees	17.8.2009	10	642,000	\$0.482	17.8.2012 to 16.8.2014
Directors	17.8.2009	10	1,500,000	\$0.482	17.8.2013 to 16.8.2014
Key executive employees	17.8.2009	10	675,000	\$0.482	17.8.2013 to 16.8.2014
Employees	17.8.2009	10	1,284,000	\$0.482	17.8.2013 to 16.8.2014
			<u>6,918,000</u>		

* Does not include Directors who are controlling shareholders or an associate to controlling shareholders of the Company.

The person to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company.

No options were granted during the financial year to take up unissued shares of its subsidiaries.

The Remuneration Committee administering the Scheme consists of the following Directors:

Dr Phua Wee Thuan (Chairman)

Mr Quek Shi Kui

Mr Chin Sek Peng

SHARE OPTIONS GRANTED (cont'd)

The following are details of options granted to Directors:

Name of Directors	Options granted during the financial year ended 31.8.2010	Aggregate options granted since commencement of Scheme to 31.8.2010	Aggregate options exercised since commencement of Scheme to 31.8.2010	Aggregate options outstanding as at 31.8.2010
Independent Directors				
Mr Quek Shi Kui	–	600,000	–	600,000
Dr Phua Wee Thuan	–	600,000	–	600,000
Mr Chin Sek Peng	–	600,000	–	600,000
Executive Directors				
Dr Cheng Wei Chen	–	600,000	–	600,000
Dr Cheng Li Chang	–	600,000	–	600,000
Non-Executive Directors				
Dr Hari Naroomal Harilela	–	300,000	–	300,000
Mr Cheng Shao Shiong @ Bertie Cheng	–	600,000	–	600,000
Mr Mohinder Singh Kalra	–	300,000	–	300,000

SHARE OPTIONS EXERCISED

The total amount of shares exercised was 231,250.

There were no directors, controlling shareholders and their associates and employees who received 5% or more of the total options available under the Scheme.

Directors' Report

for the year ended 31 August 2010

UNISSUED SHARES UNDER OPTION

At the end of the financial year, unissued ordinary shares under option were as follows:

Date granted	Exercise price	Number of options outstanding 1.9.2009	Options granted	Options exercised	Options cancelled/lapsed	Number of options outstanding 31.8.2010	Exercise period
17.8.2007	\$0.567	687,000	–	(231,250)	(52,250)	403,500	17.8.2009 to 16.8.2012
17.8.2007	\$0.567	687,000	–	–	(50,250)	636,750	17.8.2010 to 16.8.2012
17.8.2007	\$0.567	1,374,000	–	–	(100,500)	1,273,500	17.8.2011 to 16.8.2012
15.8.2008	\$0.547	1,257,750	–	–	(128,500)	1,129,250	15.8.2010 to 14.8.2013
15.8.2008	\$0.547	1,257,750	–	–	(127,500)	1,130,250	15.8.2011 to 14.8.2013
15.8.2008	\$0.547	2,515,500	–	–	(255,000)	2,260,500	15.8.2012 to 14.8.2013
17.8.2009	\$0.482	1,729,500	–	–	(109,500)	1,620,000	17.8.2011 to 16.8.2014
17.8.2009	\$0.482	1,729,500	–	–	(109,500)	1,620,000	17.8.2012 to 16.8.2014
17.8.2009	\$0.482	3,459,000	–	–	(219,000)	3,240,000	17.8.2013 to 16.8.2014
		<u>14,697,000</u>	<u>–</u>	<u>(231,250)</u>	<u>(1,152,000)</u>	<u>13,313,750</u>	

AUDIT COMMITTEE

The Audit Committee comprises Mr Quek Shi Kui, Mr Chin Sek Peng and Mr Cheng Shao Shiong @ Bertie Cheng. The Chairman of the Audit Committee is Mr Quek Shi Kui.

The Audit Committee met periodically to carry out the functions in accordance with Section 201(B) of the Companies Act, Cap. 50. In performing those functions, the Committee reviews:

- the audit plans of both the internal and external auditors;
- the auditors' reports and their evaluation of the Company's and Group's system of internal controls;
- the effectiveness and adequacy of the internal audit function which is outsourced to a professional service firm;
- the co-operation given by the Company's management to both the internal and external auditors;
- interested person transactions;
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 August 2010 before their submission to the Board of Directors ("the Board"), as well as the auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group;
- the independence of auditors;
- and recommends the appointment of auditor to the Board;
- the periodic and annual financial result announcements to SGX-ST; and
- oversees the effective functioning of the Group's whistle-blowing policy.

Apart from the functions listed above, the Audit Committee if required, will appoint independent consultants to review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringements of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position.

AUDIT COMMITTEE (cont'd)

The Audit Committee has full access to and co-operation of the Management and has been given the resources required for it to discharge its functions properly. It also has discretion to invite any Director and executive officer to attend its meetings.

The Audit Committee has also conducted a review of the fees paid or payable to the auditor for non-audit services for the financial year ended 31 August 2010. The non-audit fees relate primarily to the provision of tax services for the companies in the Group. In pursuance with Section 206(1A) of the Companies Act, Cap. 50, and based on the review by the Audit Committee and its recommendation, the Board is also satisfied that the level of non-audit fees paid or payable to the auditor did not affect the independence of the auditor.

The Audit Committee has recommended to the Board the nomination of Foo Kon Tan Grant Thornton LLP for re-appointment as external auditor of the Company at the forthcoming Annual General Meeting.

INDEPENDENT AUDITOR

The independent auditor, Foo Kon Tan Grant Thornton LLP, Certified Public Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

DR CHENG WEI CHEN

Executive Chairman

DR CHENG LI CHANG

Executive Deputy Chairman

Dated: 26 November 2010

Statement by Directors

for the year ended 31 August 2010

In the opinion of the directors, the accompanying statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated cash flow statement together with the notes thereon, 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 August 2010 and of the results of the business, changes in equity and the cash flow of the Group for the year ended on that date; and 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.

On behalf of the Directors

DR CHENG WEI CHEN

Executive Chairman

DR CHENG LI CHANG

Executive Deputy Chairman

Dated: 26 November 2010

We have audited the accompanying financial statements of Thomson Medical Centre Limited ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position of the Group and the Company as at 31 August 2010, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 ("the Act") and Singapore Financial Reporting Standards. This responsibility includes:

- (a) devising and maintaining a system of internal accounting control sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditor's Report

to the members of Thomson Medical Centre Limited

OPINION

In our opinion:

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 August 2010 and the results, changes in equity and cash flows of the Group for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in the Republic of Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

FOO KON TAN GRANT THORNTON LLP

Public Accountants and
Certified Public Accountants

Singapore, 26 November 2010

Statements of Financial Position

as at 31 August 2010

	Note	The Group		The Company	
		31 August 2010 \$'000	31 August 2009 \$'000	31 August 2010 \$'000	31 August 2009 \$'000
Assets					
Non-Current					
Intangible assets	3	146	146	–	–
Property and equipment	4	127,893	106,922	126,445	105,229
Subsidiaries	5	–	–	1,657	1,577
Associate	6	–	–	–	–
		128,039	107,068	128,102	106,806
Current					
Inventories	7	1,037	1,163	700	930
Trade and other receivables	8	3,055	3,492	5,412	4,583
Deposits and prepayments	9	951	773	704	611
Cash and bank balances	11	30,533	20,567	17,571	12,306
		35,576	25,995	24,387	18,430
Total assets		163,615	133,063	152,489	125,236
Equity					
Capital and Reserves					
Share capital	12	37,595	37,464	37,595	37,464
Reserves	14	104,121	73,838	97,304	69,541
		141,716	111,302	134,899	107,005
Non-controlling interests		384	1	–	–
Total equity		142,100	111,303	134,899	107,005
Liabilities					
Non-Current					
Borrowings	15	–	1,360	–	1,360
Deferred tax liabilities	16	1,779	1,674	1,676	1,616
		1,779	3,034	1,676	2,976
Current					
Trade and other payables	17	14,949	15,113	11,575	11,886
Borrowings	15	1,360	1,360	1,360	1,360
Current tax payable		3,427	2,253	2,979	2,009
		19,736	18,726	15,914	15,255
Total liabilities		21,515	21,760	17,590	18,231
Total equity and liabilities		163,615	133,063	152,489	125,236

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 August 2010

	Note	Year ended 31 August 2010 \$'000	Year ended 31 August 2009 \$'000
Revenue	18	81,678	67,394
Cost of sales		(45,975)	(38,312)
Gross profit		35,703	29,082
Other income	19	1,860	2,066
Administration expenses		(11,281)	(9,845)
Other operating expenses		(6,400)	(5,476)
Finance costs		(89)	(145)
Profit before taxation	20	19,793	15,682
Taxation	22	(3,542)	(2,967)
Profit after taxation		16,251	12,715
Other comprehensive income after taxation:			
Revaluation gain/(loss) on freehold land and building after tax of Nil% (2009 – Nil%)		22,633	(4,000)
Total comprehensive income for the year		38,884	8,715
Profit attributable to:			
Equity holders of the Company		15,888	12,791
Non-controlling interests		363	(76)
		16,251	12,715
Total comprehensive income attributable to:			
Equity holders of the Company		38,521	8,791
Non-controlling interests		363	(76)
		38,884	8,715
Earnings per share (cents)	23	5.44	4.38
Diluted earnings per share (cents)	23	5.38	4.38

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 August 2010

	Share capital \$'000	Revaluation reserve \$'000	Share option reserve \$'000	Retained earnings \$'000	Total attributable to equity holders of the parent \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 September 2008	37,464	56,386	150	15,418	109,418	77	109,495
Total comprehensive income for the year	–	(4,000)	–	12,791	8,791	(76)	8,715
Value of employee services received for grant of share option	–	–	392	–	392	–	392
Dividends paid (Note 27)	–	–	–	(7,299)	(7,299)	–	(7,299)
Balance at 31 August 2009	37,464	52,386	542	20,910	111,302	1	111,303
Total comprehensive income for the year	–	22,633	–	15,888	38,521	363	38,884
Incorporation of subsidiary	–	–	–	–	–	20	20
Issue of shares on exercise of share options	131	–	–	–	131	–	131
Value of employee services received for grant of share option	–	–	496	–	496	–	496
Dividends paid (Note 27)	–	–	–	(8,734)	(8,734)	–	(8,734)
Balance at 31 August 2010	37,595	75,019	1,038	28,064	141,716	384	142,100

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 August 2010

	Year ended 31 August 2010 \$'000	Year ended 31 August 2009 \$'000
Cash Flows from Operating Activities		
Profit before taxation	19,793	15,682
Adjustments for:		
Depreciation of property and equipment	3,724	3,385
Share option expense	496	392
Interest expense	89	145
Interest income	(72)	(79)
Property and equipment written off	112	50
Gain on disposal of property and equipment	(1)	–
Allowance for impairment of trade receivables	158	–
Operating profit before working capital changes	24,299	19,575
Decrease/(increase) in inventory	126	(212)
Decrease in operating receivables	272	640
Decrease/(increase) in deposits and prepayments	(178)	142
(Decrease)/increase in operating payables	(129)	2,222
Cash generated from operations	24,390	22,367
Income taxes paid	(2,263)	(3,226)
Net cash generated from operating activities	22,127	19,141
Cash Flows from Investing Activities		
Acquisition of property and equipment	(2,174)	(5,329)
Interest received	79	58
Proceeds from disposal of property and equipment	1	–
Net cash used in investing activities	(2,094)	(5,271)
Cash Flows from Financing Activities		
Repayment of bank borrowings	(1,360)	(1,360)
Repayment of finance lease obligations	–	(66)
Interest paid	(124)	(148)
Capital contribution from non-controlling interests	20	–
Proceeds from issue of shares	131	–
Dividends paid	(8,734)	(7,299)
Increase in pledged deposits	(60)	(41)
Net cash used in financing activities	(10,127)	(8,914)
Net increase in cash and cash equivalents	9,906	4,956
Cash and cash equivalents at beginning of year	20,356	15,400
Cash and cash equivalents at end of year (Note 11)	30,262	20,356

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

1 GENERAL INFORMATION

The financial statements of the Company and of the Group for the year ended 31 August 2010 were authorised for issue in accordance with a resolution of the Directors on the date of the Statement By Directors.

The Company is a public limited liability company and domiciled in Singapore.

The registered office is located at 339 Thomson Road, Thomson Medical Centre, Singapore 307677.

The principal activities of the Company comprise operating a hospital, providing medical services, x-ray and ultrasound scanning and related facilities and providing labour ward, operating theatre and medical clinic space to medical practitioners. The principal activities of the subsidiaries are stated in Note 5 to the financial statements.

2(a) BASIS OF PREPARATION

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations to FRS ("INT FRS") promulgated by the Accounting Standards Council. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below. The financial statements are presented in Singapore dollars which is the Company's functional currency.

Significant accounting estimates and judgements

The preparation of financial statements in conformity with FRS requires management to make judgement, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are described below:

Allowance for doubtful receivables

Allowance for doubtful receivables of the Group is based on an evaluation of the recoverability of trade and other receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including their current creditworthiness, past collection history of each customer and ongoing dealings with them. If the financial conditions of the counterparties with which the Group contracted were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

Impairment of goodwill and other non-financial assets

Goodwill is tested for impairment at least annually, more often if indicators of impairment are identified. Assets that are subject to depreciation and amortisation are reviewed to determine whether there is any such indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the assets are tested for impairment. The recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in the income statement.

Notes to the Financial Statements

for the year ended 31 August 2010

2(a) BASIS OF PREPARATION (cont'd)

Significant accounting estimates and judgements (cont'd)

Impairment of goodwill and other non-financial assets (cont'd)

Management judgement is required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections could materially affect the net present value used in the impairment test and as a result affect the Group's results.

Depreciation of property and equipment

Property (excluding freehold land) and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property (excluding freehold land) and equipment to be within the range as indicated in the accounting policy for property and equipment and depreciation. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, leading to potential changes in future depreciation charges, impairment losses and/or write-offs.

Impairment of investment in subsidiaries

Determining whether investments in subsidiaries are impaired requires an estimation of the value-in-use of these investments. The value-in-use calculation requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of the investments based on such estimates.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. Judgement is required in determining the most appropriate valuation model for the share options granted, depending on the terms and conditions of the grant. Management are also required to use judgement in determining the most appropriate inputs to the valuation model including expected life of the option, volatility and dividend yield. The assumptions and model used are disclosed in Note 13 to the financial statements.

Income tax

Significant judgement is involved in determining the provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provision in the period in which such determination is made.

Allowance for inventory obsolescence

Inventories are stated at the lower of cost and net realisable value. In determining the net realisable value, the management estimates the future selling price in the ordinary course of business, less the estimated costs of selling expenses. The carrying amounts of inventories at the reporting date are disclosed in Note 7 to the financial statements.

Operating lease commitments – as lessor

The Group has entered into commercial property leases on part of its freehold property. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

2(b) INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2009

On 1 September 2009, the Group and the Company adopted the new or revised FRS and INT FRS that are mandatory for application on that date. This includes the following FRS and INT FRS, which are relevant to the Group and the Company:

FRS 1 (Revised 2008)	Presentation of Financial Statements – Revised presentation
Amendments to FRS 1 and FRS 32	Amendments Relating to Puttable Financial Instruments and Obligations Arising on Liquidation
FRS 23 (Revised)	Borrowing Costs
Amendments to FRS 27	Amendments Relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 39	Amendments Relating to Reclassification of Financial Assets
Amendments to FRS 101	Amendments Relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 102	Amendments Relating to Vesting Conditions and Cancellation
Amendments to FRS 107	Amendments Relating to Reclassification of Financial Assets
FRS 108	Operating Segments
Amendments to INT FRS 109 and FRS 39	Embedded Derivatives
INT FRS 113	Customer Loyalty Programmes
INT FRS 116	Hedges of a Net Investment in a Foreign Operation
Improvements to FRSs 2008	

The adoption of these new/revised FRS and INT FRS did not result in substantial changes to the Group's accounting policies nor any significant impact on these financial statements except for the following:

FRS 1 (Revised 2008) Presentation of Financial Statements (effective from 1 January 2009)

The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). The Group has elected to present the statement of comprehensive income in one statement.

FRS 23 (revised 2007) Borrowing Costs (effective from 1 January 2009)

The revised standard removes the option to recognise immediately as an expense borrowing costs that are attributable to qualifying assets, except for those borrowing costs on qualifying assets that are measured at fair value or inventories that are manufactured or produced in large quantities on a repetitive basis.

Amendment to FRS 107 Improving disclosures about financial instruments (effective from 1 January 2009)

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the accounting policies and measurement bases adopted by the Group.

FRS 108 Operating Segments (effective from 1 January 2009)

FRS 108, which replaces FRS 14 Segment Reporting, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group determined that the reportable operating segments are the same as the business segments previously identified under FRS 14 Segment Reporting.

Notes to the Financial Statements

for the year ended 31 August 2010

2(c) FRS AND INT FRS NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following significant FRS and INT FRS were issued but not effective:

FRS 24 (revised)	Related party disclosures
FRS 32 (revised)	Classification of Rights Issues
Amendments to FRS 101	Additional Exemptions for First-time Adopters Limited Exemption from Comparative FRS 107 Disclosure for First-time Adopters
Amendments to FRS 102	Group Cash-Settled Share-based Payment Transactions
Amendments to INT FRS 114	Prepayments of a Minimum Funding Requirement
Amendments to INT FRS 115	Agreements for the Construction of Real Estate
Amendments to INT FRS 119	Extinguishing financial liabilities with equity instruments
Improvements to FRSs 2009	
Improvements to FRSs 2010	

The directors do not anticipate that the adoption of these FRSs and INT FRSs in future periods will have a material impact on the financial statements of the Group.

2(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Details of its subsidiaries are given in Note 5.

All inter-company balances and significant inter-company transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year are included in or excluded from consolidated income statements from the effective dates in which control is transferred to the Group or in which control ceases, respectively.

Business combinations are accounted for using the acquisition method. The consideration transferred for an acquisition is measured as the fair value of the assets given, equity instruments issued and incurred or assumed at the date of acquisition. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Costs attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of previous equity interest in the over the fair value of the net identifiable assets acquired represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated below. In instances where the latter amount exceeds the former, the excess is recognised as a gain from bargain purchase in the profit or loss on the date of acquisition.

When the control over a subsidiary is lost, the assets and liabilities of the subsidiary, including any goodwill, are derecognised. Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

2(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of consolidation (cont'd)

Where accounting policies of a subsidiary do not conform to those of the Company, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated statement of financial position within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated statement of comprehensive income. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this result in the non-controlling interests having deficit balances.

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

2.2 Property and equipment and depreciation

Property and equipment, other than freehold land and building, are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land and building are stated at valuation. No depreciation is provided on freehold land. Depreciation is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Building, improvements and renovation	10 – 50 years
Furniture and fittings	10 years
Medical, electrical equipment and appliances	3 – 13 years
Motor vehicles	5 – 10 years

Freehold land and building are stated at valuation. Valuation of freehold land and building are carried out annually. Any surplus on revaluation is credited to asset revaluation reserve. A decrease in net carrying amount arising on revaluation of property is charged to the income statement to the extent that it exceeds any surplus held in reserve relating to previous revaluation of the same asset.

The cost of property and equipment includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also included as part of the cost of property and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property and equipment.

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

Notes to the Financial Statements

for the year ended 31 August 2010

2(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Property and equipment and depreciation (cont'd)

For acquisition and disposals of property and equipment, depreciation is provided in the month of acquisition and no depreciation is provided in the month of disposal. Fully depreciated property and equipment are retained in the books of account until they are no longer in use.

Property and equipment with individual cost of \$500 and below are expensed in the income statement in the year of purchase.

The residual values, estimated useful lives and depreciation method of property and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in the income statement when the changes arise.

Freehold land and buildings are stated at their revalued amount. The revalued amount is the fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses. Revaluations are carried out by independent professional valuers regularly such that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet.

When an asset is revalued, any increase in the carrying amount is credited directly to revaluation surplus unless it reverses a previous revaluation decrease relating to the same asset which was previously recognised as an expense. In these circumstances the increase is recognised as income to the extent of the previous write-down.

When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as expense unless it reverses a previous increment relating to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to retained earnings when the asset is derecognised.

2.3 Intangible assets

Intangible assets are accounted for using the cost model with the exception of goodwill. Capitalised costs are amortised on a straight-line basis over their estimated useful lives for those considered as finite useful lives. After initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses, if any. In addition, they are subject to annual impairment testing. Indefinite life intangibles are not amortised but are subject to annual impairment testing.

Intangible assets are written off where, in the opinion of the directors, no further future economic benefits are expected to arise.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

2(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Financial Assets

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date—the date on which the Company and the Group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured. The group has no financial assets other than loan and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Loans and receivables include trade and other receivables. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or writeback is recognised in the income statement.

2.5 Subsidiaries

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether there is control.

Shares in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of non-controlling interests.

Notes to the Financial Statements

for the year ended 31 August 2010

2(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Associate

An associate is defined as a company, not being a subsidiary or jointly controlled entity, in which the Group has significant influence, but not control, over its financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates at company level are stated at cost. Allowance is made for any impairment losses on an individual company basis.

The Group's share of the post-acquisition results of associates, based on the latest available audited financial statements, is included in the consolidated income statement using the equity method of accounting. In applying the equity method, unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

When the Group's share of losses of an associate equals or exceeds the carrying amount of an investment, the Group ordinarily discontinues including its share of further losses. The investment is reported at nil value. Additional losses are provided for to the extent that the Group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the associate that the Group has guaranteed or otherwise committed, for example, in the forms of loans. When the associate subsequently reports profits, the Group resumes including its share of those profits only after its share of the profits equals the share of net losses recognised. The Group's share of the net assets and post-acquisition retained profits and reserves of associate is reflected in the book value of the investments in the consolidated statements of financial position.

2.7 Inventories

Inventories consist of drugs, pharmaceutical products and hospital accessories and are valued at the lower of cost and net realisable value. Cost is determined on the weighted average basis.

Allowance is made, where necessary, for obsolete and slow-moving inventory in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Inventories are mainly consumed as part of a medical treatment package.

2.8 Deposits and prepayments

Deposits and prepayments are carried at amortised cost and it includes the rental expenses, utilities as well as repair and maintenance of equipment.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of presentation in consolidated cash flow statement, cash and cash equivalent include cash on hand, deposits with financial institutions and fixed deposits which are subject to an insignificant risk of change in value.

2(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.11 Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profit, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared; the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

2.12 Financial liabilities

The Group's financial liabilities include borrowings, trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in "finance cost" in the income statement. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the income statement over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

Borrowings which are due to be settled within twelve months after the reporting date are included in current borrowings in the statements of financial position even though the original terms was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date. Borrowings to be settled within the Group's normal operating cycle are classified as current. Other borrowings due to be settled more than twelve months after the reporting date are included in non-current borrowings in the statements of financial position.

Notes to the Financial Statements

for the year ended 31 August 2010

2(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Borrowings

Interest-bearing loans are recognised initially at fair value, less attributable transaction costs, if any. Subsequent to initial recognition, interest-bearing loans are stated at amortised cost which is the initial fair value less any principal repayments. Any difference between proceeds (net of transaction costs) and the redemption value is taken to the income statement over the period of the borrowing using the effective interest methods. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.14 Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised costs, using the effective interest method. Finance lease liabilities are measured at initial value less the capital elements of the lease prepayment (see policy on finance lease). Dividend distribution to the shareholders are included in current liabilities when the dividends are payable.

2.15 Provisions

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

The provision is based on the best estimate of the direct expenditures to be incurred which are both necessarily entailed by the restructuring and not associated with the on-going activities of the Group.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs.

2(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.16 Leases

Where the Group is the lessee

(a) Finance leases

Where assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at values equivalent to the lower of the fair values of the leased assets and the present value of the total minimum lease payments during the periods of the leases. The corresponding lease commitments are included under liabilities. The excess of lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease to give a constant effective rate of charge on the remaining balance of the obligation.

The leased assets are depreciated on a straight-line basis over their estimated useful lives as detailed in the accounting policy on "property and equipment".

(b) Operating leases

Rentals on operating leases are charged to income statement on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the income statement when incurred.

Contingent rents are mainly determined as a percentage of revenue in excess of a specified amount during the month. They are charged to the income statement when incurred.

Where the Group is the lessor

(a) Finance leases

Where assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the lease term using the net investment method, which reflects a constant periodic rate of return.

(b) Operating leases

Assets leased out under operating leases are included in investment properties and are stated at revalued amounts and not depreciated. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Notes to the Financial Statements

for the year ended 31 August 2010

2(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the statement of financial position; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of the statement of financial position, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred incomes taxes are recognised as income or expense in the profit or loss, except to the extent that the tax arise from a business combination or a transaction which is recognised directly in equity.

Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.18 Employee benefits

(a) Pension obligations

The Group and the Company contribute to the Central Provident Fund ("CPF"), a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The Group's and the Company's contributions to CPF are charged to the income statement in the period to which the contributions relate.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the estimated liability for unconsumed leave as a result of services rendered by employees up to the reporting date.

2(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 Employee benefits (cont'd)

(c) Employee share options scheme

The Company also has an employee share option plan for the granting of non-transferable options.

The Group issues equity-settled share-based payments to certain employees. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in the income statement with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under option that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under option that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the income statement, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued.

(d) Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Executive directors and the senior management staff are considered key management personnel.

2.19 Impairment of non-financial assets

The carrying amounts of the Group's and the Company's non-financial assets subject to impairment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Company at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, more often if there are indicators of impairment. All other individual assets or cash-generating units are tested annually for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Notes to the Financial Statements

for the year ended 31 August 2010

2(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 Impairment of non-financial assets (cont'd)

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. Any impairment loss is charged to the income statement.

With the exception of goodwill,

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.
- An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.
- A reversal of an impairment loss is credited as income in the income statement.
- An impairment loss in respect of goodwill is not reversed, even if it relates to impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or at reporting date.

2.20 Revenue recognition

Revenue is recognised as follows:

(a) Service revenue

Revenue is recognised upon the provision of healthcare and hospital services.

(b) Sale of drugs and medical supplies

Revenue from these sales is recognised when the goods are consumed or related services rendered.

(c) Rental income

Rental income is recognised on a straight line basis over the lease term of the lease.

(d) Interest income

Interest income from bank deposits is recognised on a time-apportioned basis using the effective interest rate method.

2(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.20 Revenue recognition (cont'd)

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Dividend income from investments is recognised gross when the right to receive the dividend has been established.

Government grants related to Jobs Credit is recognised as other income when conditions are fulfilled.

2.21 Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity ("the functional currency"). The consolidated financial statements of the Group and the statements of financial position of the Company are presented in Singapore dollar, which is also the functional currency of the Company, to the nearest thousand.

2.22 Conversion of foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Singapore dollar at rates of exchange closely approximating those ruling at balance sheet date. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Exchange differences arising from such transactions are recorded in the income statement in the period in which they arise.

2.23 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Chief Executive Officer who makes strategic resources allocation decisions.

2.24 Financial instruments

Financial instruments carried on the balance sheet include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Disclosures on financial risk management objectives and policies are provided in Note 28.

Notes to the Financial Statements

for the year ended 31 August 2010

3 INTANGIBLE ASSETS

The Group	2010 \$'000	2009 \$'000
Goodwill arising from acquisition of business	146	146

In financial year 2006, the Group acquired a clinic in which a Director has interest for a consideration of \$200,000. The above goodwill relates to the excess of purchase consideration over the fair value of the identifiable net assets of the clinic acquired. The goodwill is allocated to the clinic as a cash generating unit ("CGU"). For the purpose of impairment testing of this goodwill, the recoverable amount of the relevant cash generating unit is determined based on value-in-use computations. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period. The growth rate did not exceed the long-term average growth rate of the clinic. Value-in-use was determined by discounting cash flows generated from the continuing operation of the clinic acquired and was based on the following key assumptions:

- The cash flows used in these calculations were based on actual operating results and a five-year plan. The anticipated annual growth is at the rate of 5%.
- A pre-tax discount rate of 8% was applied in determining the recoverable amount. The discount rate reflects the current market assessments of time value of money.

The values assigned to the key assumptions represent management's assessment of future trends and are based on external and internal sources.

The above estimates are particularly sensitive in the following areas:

- Changes in percentage point in the discount rate used; and
- Future planned revenue would not materialise.

4 PROPERTY AND EQUIPMENT

The Group	Freehold land \$'000	Building, improvements and renovation \$'000	Furniture and fittings \$'000	Medical, electrical equipment and appliances \$'000	Motor vehicles \$'000	Total \$'000
Valuation or cost						
At 1 September 2008	56,000	47,386	2,926	21,165	571	128,048
Additions	–	3,785	137	1,407	–	5,329
Written off	–	(48)	(82)	(380)	–	(510)
Revaluation deficit	(4,000)	–	–	–	–	(4,000)
Revaluation adjustments	–	(1,898)	–	–	–	(1,898)
As at 31 August 2009	52,000	49,225	2,981	22,192	571	126,969
Additions	–	544	155	1,493	–	2,192
Written off	–	(132)	(558)	(5,539)	–	(6,229)
Adjustments	–	–	(18)	–	–	(18)
Revaluation surplus/(deficit)	24,000	(1,367)	–	–	–	22,633
Revaluation adjustments	–	(2,315)	–	–	–	(2,315)
As at 31 August 2010	76,000	45,955	2,560	18,146	571	143,232
Accumulated depreciation						
At 1 September 2008	–	176	2,440	16,092	312	19,020
Depreciation for the year	–	2,300	97	897	91	3,385
Written off	–	(8)	(77)	(375)	–	(460)
Revaluation adjustments	–	(1,898)	–	–	–	(1,898)
At 31 August 2009	–	570	2,460	16,614	403	20,047
Depreciation for the year	–	2,498	99	1,036	91	3,724
Written off	–	(122)	(554)	(5,441)	–	(6,117)
Revaluation adjustments	–	(2,315)	–	–	–	(2,315)
At 31 August 2010	–	631	2,005	12,209	494	15,339
Net book value						
At 31 August 2010						
– at valuation	76,000	44,000	–	–	–	120,000
At 31 August 2010						
– at cost	–	1,324	555	5,937	77	7,893
	76,000	45,324	555	5,937	77	127,893
At 31 August 2009						
– at valuation	52,000	47,295	–	–	–	99,295
At 31 August 2009						
– at cost	–	1,360	521	5,578	168	7,627
	52,000	48,655	521	5,578	168	106,922

Notes to the Financial Statements

for the year ended 31 August 2010

4 PROPERTY AND EQUIPMENT (cont'd)

During the financial year 2009, a subsidiary changed its useful life of medical equipment. The effect of this change in accounting estimates is recognised prospectively and has an impact on the Group's profit for the year as follows:

	2010	2009
	\$'000	\$'000
Impact on income statement:		
– depreciation if there was no change in accounting estimates	–	3,416
– depreciation due to change in accounting estimates	–	3,385
	–	31

The Company	Freehold land \$'000	Building, improvements and renovation \$'000	Furniture and fittings \$'000	Medical, electrical equipment and appliances \$'000	Motor vehicles \$'000	Total \$'000
Cost or valuation						
At 1 September 2008	56,000	47,180	2,626	19,489	571	125,866
Additions	–	3,356	52	795	–	4,203
Written off	–	(40)	(63)	(246)	–	(349)
Revaluation deficit	(4,000)	–	–	–	–	(4,000)
Revaluation adjustments	–	(1,898)	–	–	–	(1,898)
At 31 August 2009	52,000	48,598	2,615	20,038	571	123,822
Additions	–	524	128	1,449	–	2,101
Written off	–	(9)	(519)	(5,345)	–	(5,873)
Revaluation surplus	24,000	(1,367)	–	–	–	22,633
Revaluation adjustments	–	(2,315)	–	–	–	(2,315)
At 31 August 2010	76,000	45,431	2,224	16,142	571	140,368
Accumulated depreciation						
At 1 September 2007	–	25	2,231	15,105	312	17,673
Depreciation for the year	–	2,248	71	712	91	3,122
Written off	–	–	(63)	(241)	–	(304)
Revaluation adjustments	–	(1,898)	–	–	–	(1,898)
At 31 August 2009	–	375	2,239	15,576	403	18,593
Depreciation for the year	–	2,430	70	825	91	3,416
Written off	–	(5)	(516)	(5,250)	–	(5,771)
Revaluation adjustments	–	(2,315)	–	–	–	(2,315)
At 31 August 2010	–	485	1,793	11,151	494	13,923

4 PROPERTY AND EQUIPMENT (cont'd)

The Company	Freehold land \$'000	Building, improvements and renovation \$'000	Furniture and fittings \$'000	Medical, electrical equipment and appliances \$'000	Motor vehicles \$'000	Total \$'000
Net book value						
At 31 August 2010						
– valuation	76,000	44,000	–	–	–	120,000
At 31 August 2010						
– cost	–	946	431	4,991	77	6,445
	76,000	44,946	431	4,991	77	126,445
At 31 August 2009						
– valuation	52,000	47,295	–	–	–	99,295
At 31 August 2009						
– cost	–	928	376	4,462	168	5,934
	52,000	48,223	376	4,462	168	105,229

(a) The details of the Group's and the Company's freehold land and building as at 31 August 2010 are as follows:

Location	Area (sq. m)	Description
339 Thomson Road Singapore 307677	12,515	Hospital and medical centre

(b) The freehold land and building of the Group and the Company were revalued based on a valuation at open market value by Knight Frank Pte Ltd on 31 August 2010 at \$120,000,000. The surplus on revaluation of \$22,634,000 (2009 – deficit of \$4,000,000) was credited to asset revaluation reserve under equity. If the assets had been carried at cost less accumulated depreciation, the net book value at the end of the financial year would have been \$44,246,793 (2009 – \$ 45,664,793). The historical cost of the freehold land, which is not depreciated is \$1,565,000 (2009 – \$1,565,000).

(c) The freehold land and building are mortgaged for term loan facilities (Note 15).

5 SUBSIDIARIES

The Company	2010 \$'000	2009 \$'000
Unquoted equity investments, at cost	1,657	1,577

Notes to the Financial Statements

for the year ended 31 August 2010

5 SUBSIDIARIES (cont'd)

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Cost of investment		Percentage of equity held		Principal activities
		2010	2009	2010	2009	
		\$'000	\$'000	%	%	
Thomson Fertility Centre Pte Ltd	Singapore	511	511	100	100	Operates a fertility clinic
Thomson International Health Services Pte Ltd	Singapore	174	174	100	100	Provides management consultancy services
Thomson Pre-Natal Diagnostic Laboratory Pte Ltd	Singapore	314	314	100	100	Operates pre-natal diagnostic laboratory
Thomson Women's Clinic Holdings Pte Ltd	Singapore	375	375	100	100	Investment holding
Thomson Aesthetics Centre Pte Ltd	Singapore	153	153	51	51	Provision of medical aesthetics services
Thomson Women Cancer Centre Pte Ltd (incorporated on 15.01.2009)	Singapore	#	–	55	55	Operates a specialist medical clinic
Thomson Chinese Medicine Pte Ltd (incorporated on 31.07.2009)	Singapore	50	50	100	100	Operates a Chinese medical clinic
Thomson Women's Clinic (Sun Plaza) Pte Ltd	Singapore	*	*	100	100	Operates a specialist medical clinic
Thomson Women's Clinic (Choa Chu Kang) Pte Ltd	Singapore	*	*	100	100	Operates a specialist medical clinic
Thomson Women's Clinic (Tiong Bahru) Pte Ltd	Singapore	*	*	100	100	Operates a specialist medical clinic
Thomson Women's Clinic (Sengkang) Pte Ltd	Singapore	*	*	100	100	Operates a specialist medical clinic
Thomson Women's Clinic (Serangoon Garden) Pte Ltd ⁽¹⁾	Singapore	*	*	100	100	Dormant

5 SUBSIDIARIES (cont'd)

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Cost of investment		Percentage of equity held		Principal activities
		2010	2009	2010	2009	
		\$'000	\$'000	%	%	
Thomson Women's Clinic (Bukit Batok) Pte Ltd	Singapore	*	*	100	100	Operates a specialist medical clinic
Thomson Women's Clinic (Katong) Pte Ltd	Singapore	*	*	100	100	Operates a specialist medical clinic
Thomson Women's Clinic (AMK Hub) Pte Ltd	Singapore	*	*	100	100	Operates a specialist medical clinic
Thomson Paediatric Centre Pte Ltd (incorporated on 01.01.2010)	Singapore	80	–	80	–	Operates a specialist medical clinic
		1,657	1,577			

Denotes amount less than \$1,000

* Wholly-owned subsidiary of Thomson Women's Clinic Holdings Pte Ltd.

⁽¹⁾ Exempted from audit under Section 205B of the Act.

All the above subsidiaries are audited by Foo Kon Tan Grant Thornton LLP except for Thomson Women's Clinic (Serangoon Garden) Pte. Ltd. which is dormant.

6 ASSOCIATE

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Unquoted equity investments, at cost	–	50	–	50
Allowance for impairment loss	–	–	–	(50)
Share of post-acquisition accumulated losses	–	(50)	–	–
	–	–	–	–

Notes to the Financial Statements

for the year ended 31 August 2010

6 ASSOCIATE (cont'd)

The associate is:

Name	Country of incorporation/ principal place of business	Percentage of equity held		Principal activities
		2010 %	2009 %	
PreciousCare Pte. Ltd.	Singapore	–	50	Dormant

The Group has not recognised its share of losses of the associate amounting to \$Nil (2009 – \$Nil) because the Group's cumulative share of losses exceeds its interest in that entity and the Group has no obligation in respect of those losses. The cumulative unrecognised losses amounted to \$Nil (2009 – \$Nil) at the balance sheet date. The associate was liquidated on 8 October 2009.

7 INVENTORIES

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Drugs and pharmaceutical products, at cost	1,037	1,163	700	930

8 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade receivables				
– Entities in which certain Directors have interest	56	42	49	37
– Subsidiaries	–	–	321	308
– An associate	–	131	–	131
– Third parties	3,319	3,608	2,953	2,973
	3,375	3,781	3,323	3,449
Allowance for impairment of trade receivables (Note 28.2)	(435)	(436)	(438)	(440)
Net trade receivables	2,940	3,345	2,885	3,009
Other receivables	95	120	98	118
Interest receivable	20	27	14	17
Amount due from subsidiaries – non-trade	–	–	2,420	1,444
Amount due from an associate – non-trade	–	12	–	12
	115	159	2,532	1,591
Allowance for impairment of other receivables (Note 28.2)	–	(12)	(5)	(17)
Net other receivables	115	147	2,527	1,574
Net trade and other receivables	3,055	3,492	5,412	4,583

8 TRADE AND OTHER RECEIVABLES (cont'd)

Trade receivables are usually due within 30 – 60 (2009 – 30 – 60) days and do not bear any effective interest rate. For trade receivable due from entities in which certain directors have interest, subsidiaries and an associate are unsecured, interest-free and are repayable on demand.

The non-trade amounts due from subsidiaries and an associate are unsecured, interest-free and are repayable on demand. Included in trade receivables is an amount of \$158,196 (2009 – \$255,499) which is denominated in United States dollar.

9 DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Deposits	415	350	207	221
Prepayments	536	423	497	390
	951	773	704	611

10 FIXED DEPOSITS

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Fixed deposits:				
– Maturing in more than 3 months to 12 months	12,688	7,500	9,545	6,000
– Maturity within 3 months	360	3,226	–	2,000
	13,048	10,726	9,545	8,000

The weighted average effective interest rate of fixed deposits is 0.34% (2009 – 0.24%) per annum.

11 CASH AND BANK BALANCES

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash and bank balances	30,533	20,567	17,571	12,306

Notes to the Financial Statements

for the year ended 31 August 2010

11 CASH AND BANK BALANCES (cont'd)

For the purpose of consolidated cash flow statement, cash and cash equivalents comprise the following:

	2010 \$'000	2009 \$'000
Cash at bank	17,485	9,841
Fixed deposits (Note 10)	13,048	10,726
Cash and bank balances	30,533	20,567
Pledged deposits	(271)	(211)
	30,262	20,356

Pledged deposits is for a bankers' guarantee issued in favour of a third party. Pledged deposit of \$271,000 (2009 – \$211,000) is placed with a financial institution.

Included in cash and bank balances is an amount of \$246,722 (2009 – \$5,331) denominated in United States dollar.

12 SHARE CAPITAL

The Group and The Company	2010 No. of shares	2009	2010 \$'000	2009 \$'000
Issued and fully paid of no par value:				
Balance at beginning	291,977,434	291,977,434	37,464	37,464
Issue of share capital [#]	231,250	–	131	–
At end of the year	292,208,684	291,977,434	37,595	37,464

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares rank equally with regard to the Company's residual assets. The issued shares have no par value.

[#] During the financial year, the Company issued 231,250 new ordinary shares at \$0.567 per share to certain employees on the exercise of their options under the Thomson Medical Share option scheme.

13 EMPLOYEE SHARE OPTIONS

On 23 December 2004, the shareholders of the Company approved the Thomson Medical Centre Share Option Scheme at the Extraordinary General Meeting. The Scheme is administered by the Remuneration Committee comprising Dr Phua Wee Thuan, Mr Chin Sek Peng and Mr Quek Shi Kui.

Information regarding the Scheme is as follows:

- (a) The subscription price of the options is determined at a discount of 10% off the average closing price of the Company's shares on the Singapore Exchange Securities Trading Limited on the five business days immediately preceding the date of the grant of such options.

13 EMPLOYEE SHARE OPTIONS (cont'd)

(b) Options are granted for a term of five years by the Remuneration Committee. The options may be exercised by the option holders not earlier than two years and not later than five years from the date of offer as follows:

- 25% after second anniversary
- 50% after third anniversary
- 100% after fourth anniversary

Under the Scheme, the aggregate number of shares may be issued shall not exceed five per cent (5%) of the total issued share capital of the Company.

Movements in the number of share options and related average exercise price are as follows:

	Weighted average exercise price 2010 \$	Number of options 2010 '000	Weighted average exercise price 2009 \$	Number of options 2009 '000
As at 1 September	0.520	14,697	0.554	8,175
Granted during the year	–	–	0.482	6,918
Exercised	0.567	(231)	–	–
Cancelled/lapsed	0.527	(1,152)	0.556	(396)
At 31 August	0.519	13,314	0.520	14,697

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Exercise period	Date of grant	Exercise price 2010 \$	Number outstanding 2010	Exercise price 2009 \$	Number outstanding 2009
17.8.2009 to 16.8.2012	17 August 2007	0.567	403,500	0.567	687,000
17.8.2010 to 16.8.2012	17 August 2007	0.567	636,750	0.567	687,000
17.8.2011 to 16.8.2012	17 August 2007	0.567	1,273,500	0.567	1,374,000
15.8.2010 to 14.8.2013	15 August 2008	0.547	1,129,250	0.547	1,257,750
15.8.2011 to 14.8.2013	15 August 2008	0.547	1,130,250	0.547	1,257,750
15.8.2012 to 14.8.2013	15 August 2008	0.547	2,260,500	0.547	2,515,500
17.8.2011 to 16.8.2014	17 August 2009	0.482	1,620,000	0.482	1,729,500
17.8.2012 to 16.8.2014	17 August 2009	0.482	1,620,000	0.482	1,729,500
17.8.2013 to 16.8.2014	17 August 2009	0.482	3,240,000	0.482	3,459,000
			13,313,750		14,697,000

The options outstanding at 31 August 2010 had an exercise price of \$0.519 (2009 – \$0.520) and a weighted average remaining contractual life of 2.27 (2009 – 3.24) years.

Notes to the Financial Statements

for the year ended 31 August 2010

13 EMPLOYEE SHARE OPTIONS (cont'd)

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

Date of grant of options	<u>15.8.2009</u>
Fair value at measurement date (cents)	<u>9.80 – 11.20</u>
Share price (cents)	53.00
Exercise price (cents)	48.20
Expected volatility	32.9% – 34.9%
Expected option life	5 years
Expected dividend yield	4.72%
Risk free interest rate	0.66% – 1.44%

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

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

14 RESERVES

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Asset revaluation reserve	75,019	52,386	75,019	52,386
Share option reserve	1,038	542	1,038	542
Retained profits	28,064	20,910	21,247	16,613
	104,121	73,838	97,304	69,541

Asset revaluation reserve relates to surplus arising from the revaluation of the Company's freehold land and building.

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

Notes to the Financial Statements

for the year ended 31 August 2010

15 BORROWINGS

	2010	2009
The Group and The Company	\$'000	\$'000
Term loan (secured)	1,360	2,720
Amount payable:		
Not later than one year	1,360	1,360
Later than one year and not later than five years	–	1,360
Later than five years	–	–
	1,360	2,720

The term loan is secured by a first legal mortgage over the Company's freehold land and building (Note 4).

The principal repayment is as follows:

Per quarter	: \$340,000 each
Final payment	: \$340,000

The effective interest rate is 2.48% (2009 – 2.76%) per annum. The outstanding bank loan of the Group is exposed to floating interest rate that is repriced every three months.

The amount repayable within one year is included under current liabilities whilst the amount repayable after one year is included under non-current liabilities.

The carrying amounts of bank borrowings approximate their fair value.

16 DEFERRED TAX LIABILITIES

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Balance at beginning	1,674	1,640	1,616	1,575
Transfer to current taxation (Note 22)				
– Current year	105	126	60	126
– Change in tax rate	–	(89)	–	(85)
	105	37	60	41
Overprovision in respect of prior years (Note 22)	–	(3)	–	–
Balance at end	1,779	1,674	1,676	1,616

This balance comprises tax on excess of net book value over tax written down value of qualifying property and equipment.

Notes to the Financial Statements

for the year ended 31 August 2010

17 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade payables				
– Related parties	1	7	–	6
– Subsidiaries	–	–	230	33
– Third parties	13,205	13,946	9,570	10,727
	13,206	13,953	9,800	10,766
Deposits	363	336	363	341
Amount owing to a subsidiary – non-trade	–	–	32	–
Non-trade payables	1,380	824	1,380	779
	14,949	15,113	11,575	11,886

Trade and non trade payables are normally on 30 – 90 (2009 – 30 – 90) days credit terms and bear no interest.

18 REVENUE

Revenue represents income from hospital operations and ancillary services and specialised and other services. Revenue comprises income from provision of medical services and facilities, drugs sales, diagnostic imaging services, laboratory services, parentcraft services, provision of fertility treatments and rental income. Rental income for the year amounted to \$1,468,000 (2009 – \$1,539,000).

Operating segment disclosures are in Note 26.

19 OTHER OPERATING INCOME

	2010 \$'000	2009 \$'000
The Group		
Interest income from fixed deposits	72	79
Fee income	776	874
Jobs Credit grant	963	627
Recovery of doubtful debts/insurance	1	10
Other minor income	48	202
Government grant – subsidy	–	73
Sponsorship from OCBC	–	16
Others	–	185
	1,860	2,066

Notes to the Financial Statements

for the year ended 31 August 2010

20 PROFIT BEFORE TAXATION

The Group	Note	2010 \$'000	2009 \$'000
Profit before taxation has been arrived at after charging:			
Allowance for impairment of trade receivables		158	80
Bad debts – trade		8	1
Cost of inventories sold		14,383	13,020
Depreciation of property and equipment	4	3,724	3,385
Directors' fees		232	232
Finance cost – term loan interest		89	140
– Interest on finance lease obligations		–	5
Inventories written off		1	5
Loss in exchange		18	–
Non-audit fees paid to auditors of the Company		60	43
Operating lease rental expense		1,852	1,388
Professional fees paid to a Company/Clinic in which Directors have interest#		3,167	3,264
Property and equipment written off		112	50
Share option expense			
– Independent Directors		68	53
– Executive Directors		43	2
– Non-Executive Directors		44	19
– Staff		341	318
		496	392
Staff costs (including Directors' remuneration*)			
– Salaries and related costs		27,989	24,250
– CPF contributions		2,173	2,044
		30,162	26,294
*Directors' remuneration			
– Salaries and related costs		2,129	1,867
– CPF contributions		22	23
		2,151	1,890
and crediting:			
Gain in exchange		–	7
Operating lease rental income [includes rental income received from entities in which certain Directors have interests \$350,302 (2009 – \$336,636)]		1,664	1,539
Jobs credit		963	627
Reversal of allowance for impairment of trade receivables		–	81
Gain on disposal of property and equipment		1	–

Professional fees are doctors' fees from consultations. This is paid to a Company/Clinic in which Directors have interest and is interest free, unsecured and payable within seven days.

Notes to the Financial Statements

for the year ended 31 August 2010

21 KEY MANAGEMENT PERSONNEL COMPENSATION

	2010 \$'000	2009 \$'000
The Group		
Share option expense	75	31
Short-term benefits	5,419	3,326
	5,494	3,357

22 TAXATION

	2010 \$'000	2009 \$'000
The Group		
Current taxation	3,476	2,846
Deferred taxation (Note 16)	105	37
	3,581	2,883
(Over)/under provision in respect of prior years		
– Deferred taxation (Note 16)	–	(3)
– Current taxation	(39)	87
	3,542	2,967

Subject to agreement with the tax authorities, unutilised capital allowances and tax losses amounting to approximately \$99,000 (2009 – \$223,194) and \$420,158 (2009 – \$125,177) respectively for the Group can be carried forward for offsetting against future taxable income provided that the provisions of Section 23 and 37 of the Singapore Income Tax Act, Cap. 134 are complied with.

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on Group's profit as a result of the following differences:

	2010 \$'000	2009 \$'000
Profit before taxation	19,793	15,682
Tax at statutory rate of 17% (2009 – 17%)	3,365	2,666
Tax effect on non-deductible expenses	774	512
Tax effect on non-taxable income	(410)	(126)
Deferred tax assets on temporary differences not recognised	13	44
Utilisation of future tax benefits arising from unabsorbed tax losses	–	(17)
Change in tax rate	(40)	(89)
Singapore statutory stepped income exemption	(121)	(107)
Under provision in respect of prior years	(39)	84
	3,542	2,967

23 EARNINGS PER SHARE

The Group

The calculation of basic earnings per share for the financial year ended 31 August 2010 is based on the Group's profit after taxation attributable to equity shareholders of the Company of \$15,888,000 (2009 – \$12,791,000) on the number of shares outstanding of 292,074,871 (2009 – 291,977,434) shares.

Diluted earnings per share was calculated on the Group's profit after taxation of \$15,888,000 (2009 – \$12,791,000) divided by 295,344,502 (2009 – 292,125,061) shares. The ordinary shares were calculated based on the assumption that the holders of the exercisable share options exercised their subscription rights at the respective exercise price.

	2010	2009
	Number of shares	
Weighted average number of ordinary share used in calculation of basic earnings per share	292,074,871	291,977,434
Weighted average number of unissued ordinary shares from:		
– employee share options under Share Option Scheme	3,269,631	147,627
	295,344,502	292,125,061

24 COMMITMENTS

24.1 Operating lease commitments (non-cancellable)

Where the Group and the Company are the lessees

At the balance sheet date, the Group and the Company were committed to making the following lease rental payments under non-cancellable operating leases for warehouse, office equipment and premises with an original term of 3 to 5 years:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Not later than one year	1,162	990	502	527
Later than one year and not later than five years	882	743	377	314
Later than five years	–	–	–	–
	2,044	1,733	879	841

The leases on the Company's and the Group's warehouse, office equipment and premises on which rentals are payable will expire between September 2010 and August 2014. The current rent payable on the warehouse, office equipment and premises range between \$100 and \$18,777 per month. The rates of the current monthly rentals are subject to revision on renewal and revised when rebates are received.

Notes to the Financial Statements

for the year ended 31 August 2010

24 COMMITMENTS (cont'd)

24.1 Operating lease commitments (non-cancellable) (cont'd)

Where the Group and the Company are the lessors

At the balance sheet date, the Group and the Company were committed to lease commercial premises with a term of more than one year at market rates:

	2010	2009
The Group and The Company	\$'000	\$'000
Lease which expires:		
Not later than one year	1,397	1,212
Later than one year and not later than five years	1,553	777
Later than five years	–	–
	2,950	1,989

24.2 Capital commitments

	2010	2009
The Group and The Company	\$'000	\$'000
Contracted but not provided for:		
Renovation works and purchase of equipment	94	160
Approved but not contracted for:		
Purchase of equipment	–	114

24.3 Other commitments

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Bankers' guarantee (secured)	271	211	136	136
Insurance guarantee	40	35	40	35
	311	246	176	171

25 RELATED PARTY TRANSACTIONS

Other than the related party information disclosed elsewhere in the financial statements, the following were significant related party transactions at terms agreed between the parties:

The Group	2010 \$'000	2009 \$'000
Entities in which certain Directors have interests		
Other income	42	12
Rental income	350	337
Laboratory service income/(expense)	(32)	26
Interest on fixed deposit	–	1
Other expenses	(41)	(44)
Interest on finance lease obligations	–	(3)
Professional fees paid	(3,167)	(3,264)

26 STATEMENT OF OPERATIONS BY SEGMENTS

For management purposes, the Group is divided into two operating segments.

Hospital operations and ancillary services

Hospital operations comprise the provision of integrated medical healthcare facilities and services for primary, secondary and tertiary healthcare with focus on women and children's health. The ancillary services include fetal assessment services, diagnostic laboratory services, diagnostic imaging services, anti-aging services, health screening services and parentcraft services such as childbirth education, childcare education, breast-feeding counselling and home care nursing.

The Group also rents out medical suites and retail space within the hospital. The tenants are mainly Obstetricians and Gynaecologists and Paediatricians.

Specialised and other services

The Group also provides fertility treatments under Thomson Fertility Centre Pte Ltd and cytogenetic laboratory services which helps specialists determine the well being of the fetus under Thomson Pre-Natal Diagnostic Laboratory Pte. Ltd. The Group also operates seven Specialist Obstetricians and Gynaecology clinics in the heartland to better serve the patients. The Group also provides hospital consultancy and management consultancy services under Thomson International Health Services Pte. Ltd. and aesthetic services under Thomson Aesthetics Centre Pte. Ltd.

The Group operates in Singapore.

Notes to the Financial Statements

for the year ended 31 August 2010

26 STATEMENT OF OPERATIONS BY SEGMENTS (cont'd)

Segmental results

	Hospital Operations and Ancillary Services		Specialised and Other Services		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Revenue	57,652	51,854	24,026	15,540	81,678	67,394
Segment results	16,165	13,991	3,717	1,836	19,882	15,827
Finance cost	(89)	(145)	–	–	(89)	(145)
Income tax	(3,076)	(2,749)	(466)	(218)	(3,542)	(2,967)
Profit after taxation	13,000	11,097	3,251	1,618	16,251	12,715
Segment assets	152,489	125,236	11,126	7,827	163,615	133,063
Unallocated assets	–	–	–	–	–	–
	152,489	125,236	11,126	7,827	163,615	133,063
Segment liabilities	17,590	18,231	3,925	3,529	21,515	21,760
Unallocated liabilities	–	–	–	–	–	–
	17,590	18,231	3,925	3,529	21,515	21,760
Other information						
Capital expenditure	2,101	4,203	73	1,126	2,174	5,329
Depreciation of property and equipment	3,416	3,122	308	263	3,724	3,385
Property and equipment written off	102	45	10	5	112	50
Bad debts – trade	8	1	–	–	8	1
Impairment of trade receivables	152	59	6	21	158	80
Inventories written off	–	0	1	5	1	5
Share option expense	496	392	–	–	496	392

27 DIVIDENDS

The Company	2010 \$'000	2009 \$'000
Final dividend of 1.50 cent (one-tier tax) per ordinary share paid in respect of financial year ended 31 August 2008	–	4,379
Interim ordinary dividend of 1 cent (one-tier tax) per ordinary share paid in respect of financial year ended 31 August 2009	–	2,920
Final dividend of 1.50 cent (one-tier tax) per ordinary share paid in respect of financial year ended 31 August 2009	4,353	–
Special dividend of 0.3 cent (one-tier tax) per ordinary share paid in respect of financial year ended 31 August 2009	876	–
Interim dividend of 1.2 cent (one-tier tax) per ordinary share paid in respect of financial year ended 31 August 2010	3,505	–
	8,734	7,299

At the forthcoming Annual General Meeting, a final dividend of 2.0 cents per ordinary share (one-tier tax) amounting to \$5,844,173.68 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 August 2011.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

As at 31 August 2010, the Group's financial instruments consisted mainly of cash and bank balances, fixed deposits, trade and other receivables, trade and other payables and bank borrowings.

The main risks arising from the Group's financial instruments are market risk (including principally changes in interest rates), credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its management of these risks. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivatives financial instruments for trading purposes.

The Group's policies in managing these risks are summarised below.

28.1 Market risk

28.1.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group largely transacts in Singapore dollar. Hence, its exposure to foreign currency risk is not significant.

Notes to the Financial Statements

for the year ended 31 August 2010

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

28.1 Market risk (cont'd)

28.1.2 Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings.

The Group's and the Company's exposure to market risk for changes in interest rates relates primarily to the Group's cash and cash equivalents placed with banks and financial institutions and bank borrowings with financial institutions.

Most of the interest bearing cash and cash equivalents placed with the banks are short-term in nature (Notes 10 and 11). Variations in short-term interest rate is not expected to have a material impact on the results of the Group.

The sensitivity analysis below has been determined based on the exposure to interest rates for cash and cash equivalents placed and bank borrowings with banks and financial institutions at the balance sheet date. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher/lower with all other variables held constant, the impact on the Group's profit or loss is not material.

In respect of interest-bearing financial assets the following table indicates their effective interest rates at balance sheet date:

The Group and The Company	Note	Effective interest rate %	Total \$'000	Less than 1 year \$'000	1 to 5 years \$'000
31 August 2010					
Financial assets					
Fixed deposits	10	0.34%	13,048	13,048	–
Financial liabilities					
Bank borrowings	15	2.48%	1,360	1,360	–
31 August 2009					
Financial assets					
Fixed deposits	10	0.24%	10,726	10,726	–
Financial liabilities					
Bank borrowings	15	2.76%	2,720	1,360	1,360

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

28.2 Credit risk

Credit risk is the risk that counterparty will default on its contractual obligation resulting in financial loss to the Group.

The Group adopts the policy of only dealing with creditworthy counterparties to mitigate the risk of financial losses from default. The Group is not exposed to any significant concentration of credit risk.

Cash and fixed deposits are placed with financial institutions which are regulated and reputable.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset as indicated in the statements of financial position.

The credit risk for trade receivables based on the information provided to key management is as follows:

- (i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with financial institution with high credit ratings.

Trade receivables that are neither past due nor impaired are substantially counterparties with good payment records with the Group.

- (ii) Financial assets that are past due but not impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The ageing analysis of trade receivables past due but not impaired is as follows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade receivables past due:				
One month or less	939	403	399	1,181
More than one but less than two months	317	200	222	359
More than two but less than three months	126	121	37	102
More than three months	884	722	672	183

Notes to the Financial Statements

for the year ended 31 August 2010

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

28.2 Credit risk (cont'd)

- (iii) Financial assets that are past due and impaired

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Gross amount	435	436	438	440
Less: Allowance for impairment	(435)	(436)	(438)	(440)
	-	-	-	-

Movement in allowance for impairment are as follows:

Balance at beginning	436	437	440	459
Current year allowance	158	80	152	59
Amount written off	(154)	-	(154)	-
Allowance written back	(5)	(81)	-	(78)
Balance at end	435	436	438	440

The impaired receivables relate to amounts due from patients that are in financial difficulties and have defaulted on the payments, as well as patients that had absconded without payment.

The carrying amount of other receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Gross amount	-	12	5	17
Less: Allowance for impairment	-	(12)	(5)	(17)
	-	-	-	-

Movement in allowance for impairment are as follows:

Balance at beginning	12	12	17	17
Amount written off	(12)	-	(12)	-
Balance at end	-	12	5	17

The impaired other receivables relates to amounts due from an associate that has been liquidated in the current financial year.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

28.3 Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain sufficient cash and continuing of funding through an adequate amount of committed credit facilities.

The table below analyses the maturity profile of the Company's and the Group's financial liabilities based on contractual undiscounted cash flows:

	Less than 1 year \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total \$'000
The Group				
As at 31 August 2010				
Trade and other payables	14,949	–	–	14,949
Borrowings	1,360	–	–	1,360
	16,309	–	–	16,309
As at 31 August 2009				
Trade and other payables	15,113	–	–	15,113
Borrowings	1,360	1,360	–	2,720
	16,473	1,360	–	17,833
The Company				
As at 31 August 2010				
Trade and other payables	11,575	–	–	11,575
Borrowings	1,360	–	–	1,360
	12,935	–	–	12,935
As at 31 August 2009				
Trade and other payables	11,886	–	–	11,886
Borrowings	1,360	1,360	–	2,720
	13,246	1,360	–	14,606

Notes to the Financial Statements

for the year ended 31 August 2010

29 CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- (a) To safeguard the company's ability to continue as a going concern;
- (b) To support the Group's stability and growth; and
- (c) To provide capital for the purpose of strengthening the Group's risk management capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Net debt	–	–	–	2,300
Total equity	142,100	111,303	134,899	107,005
Total capital	142,100	111,303	134,899	109,305
Gearing ratio	–	–	–	2.10%

There were no changes in the Group's approach to capital management during the year.

The Group and the Company are not subject to externally imposed capital requirements.

30 FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and financial liabilities as reflected in the balance sheet approximate their respective fair values.

The Group and the Company do not anticipate that the carrying amounts recorded at balance sheet date would be significantly different from the values that would be eventually received or settled.

31 COMPARATIVE FIGURES

The Group

Two comparative disclosures in Note 20 and one comparative disclosure in Note 21 have been restated.

	2009	2009
	As	As
	restated	previously
	\$'000	reported
	\$'000	\$'000

Note 20 Profit before taxation

Professional fees paid to Company/Clinic in which Directors have interest	3,264	137
Non-audit fees paid to auditors of the Company	43	34

Note 21 Key management personnel compensation

Short term benefits	3,357	3,325
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32 CONTINGENT LIABILITY

As an entity with a robust business in (a) hospital and ancillary services, and (b) specialised and other services, from time to time the Company and its subsidiaries may, in the ordinary course of business, be involved in medical cases which may result in less than ideal outcomes.

On 4 November 2010, following an incident of usage of wrong sperm during an in-vitro fertilisation procedure at Thomson Fertility Centre Pte Ltd ("TFC"), the Ministry of Health issued a directive imposing an immediate suspension of all new assisted reproduction activities including sperm collection and processing at TFC ("Directive"). The Directive also required TFC to inform existing patients who had commenced assisted reproduction cycles with TFC of the incident and be given a choice on whether to continue at TFC or transfer to another centre.

The period of suspension has not been advised by the Ministry of Health. As the Directive required the suspension only of new assisted reproduction procedures (including sperm collection and processing) and as at the date of this report, the Directors, to the best of their knowledge and belief, are not aware of any transfer of existing patients to other assisted reproduction centres nor of any claims made against the Company or TFC in respect of this case. The Directors therefore are of the opinion that this suspension is unlikely to have a material impact on the financial results of the Group for the financial year ending 31 August 2011 nor on the Group's net tangible asset value as at 31 August 2011. The Directors wish to state that TFC will comply with the said Directive and will apply for the suspension to be lifted as soon as possible.

In 2007, TMC was involved in a case where it was alleged that a baby suffered personal injury relating to his delivery. As at the date of this report, no writ has been issued against the Company or any of its subsidiaries in relation to this matter.

Notes to the Financial Statements

for the year ended 31 August 2010

33 SUBSEQUENT EVENT

On 29 October 2010, Sasteria Pte. Ltd. ("Offeror"), a company incorporated in Singapore, announced that it had agreed to acquire pursuant to a married deal 115,364,455 shares representing 39.34% of the total issued ordinary shares ("Shares") of the Company. In accordance with Rule 14 of the Singapore Code on Take-overs and Mergers ("Code"), the Offeror had to make a mandatory conditional cash offer ("Offer") for all the remaining Shares, other than those Shares owned, controlled or agreed to be acquired, directly or indirectly, by the Offeror and parties acting in concert with it as at the date of the Offer. The Offer was declared unconditional by the Offeror on 4 November 2010.

On 12 November 2010, the Offeror issued the Offer Document dated 9 November 2010 to all shareholders in relation to the Offer.

In accordance with the Code, the Company appointed CIMB Bank Berhad, Singapore Branch ("CIMB Bank") as the independent financial adviser to advise the Directors of the Company who are considered independent for the purpose of making a recommendation to the shareholders of the Company in connection with the Offer. On 24 November 2010, the Company issued to shareholders the Offeree Circular setting out the advice of CIMB Bank as well as the recommendations of the Directors in respect of the Offer.

At the date of this report, Sasteria Pte. Ltd. owns 87.1% of the total issued ordinary shares of the Company. The holding company is now Sasteria Pte. Ltd.

Shareholding Statistics

as at 18 November 2010

Issued & Fully Paid-Up Capital	:	\$38,363,310.62
Number of Shares	:	293,589,934
Class of Shares	:	Ordinary
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	110	7.18	37,548	0.01
1,000 – 10,000	870	56.79	4,404,377	1.50
10,001 – 1,000,000	539	35.18	26,741,534	9.12
1,000,001 and above	13	0.85	262,062,475	89.37
Total	1,532	100.00	293,245,934	100.00

Note:

The allotment of 344,000 New Shares on 18 November 2010 pursuant to the exercise of options under Thomson Medical Share Option Scheme was not credited to CDP at the time the information was obtained.

LIST OF 20 LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Sasteria Pte. Ltd.	174,919,455	59.65
2	Harilela (Singapore) Private Limited	49,194,474	16.77
3	The Central Depository (Pte) Limited	13,924,165	4.75
4	HSBC (Singapore) Nominees Pte Ltd	5,789,770	1.97
5	Tan Wee Khin @ Tan Check Khin	5,013,370	1.71
6	Citibank Nominees Singapore Pte Ltd	2,499,000	0.85
7	Phillip Securities Pte Ltd	2,012,301	0.69
8	Raffles Nominees (Pte) Ltd	1,657,530	0.56
9	Teh Kiu Cheong	1,650,000	0.56
10	Hari Naroomal Harilela	1,629,540	0.56
11	Phua Wee Thuan	1,517,870	0.52
12	Khong Suet Ying	1,199,000	0.41
13	Wu Tze Liang Woffles	1,056,000	0.36
14	Cheng Wei Chong and Lee Mui Fong	916,685	0.31
15	Harilela Hotels (Singapore) Pte. Ltd.	884,400	0.30
16	United Overseas Bank Nominees Pte Ltd	705,500	0.24
17	DBS Nominees Pte Ltd	633,600	0.22
18	Chew Chee Tong @ Chew Chee	563,870	0.19
19	Estate of Lois Bong, Deceased	515,625	0.18
20	Goh Leong Hai	426,000	0.15
Total		266,708,155	90.95

SHAREHOLDINGS IN THE HANDS OF THE PUBLIC

Based on the information available to the Company as at 18 November 2010, approximately 13% of the issued shares of the Company is held by the public, and therefore Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Shareholding Statistics

as at 18 November 2010

SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Sasteria Pte. Ltd.	191,256,490	65.14	–	–
Lim Eng Hock	–	–	191,256,490	65.14
Harilela (Singapore) Private Limited	49,194,474	16.56	–	–
Hari Naroomal Harilela, Dr	1,629,540	0.56	50,078,874	17.06

1. Lim Eng Hock is deemed to be interested in the shareholdings of Sasteria Pte. Ltd. pursuant to Section 7 of the Companies Act, Cap 50.
2. Dr Hari Naroomal Harilela is deemed to be interested in the shareholdings of Harilela (Singapore) Private Limited, and Harilela Hotels (Singapore) Pte. Ltd. pursuant to Section 7 of the Companies Act, Cap 50.
3. Dr Hari Naroomal Harilela and Harilela (Singapore) Private Limited have accepted the mandatory unconditional cash offer for Thomson Medical Centre Limited on 19 November 2010.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company (the "Meeting") will be held at Holiday Inn Singapore Orchard City Centre, Crystal Room, Level 2, 11 Cavenagh Road, Singapore 229616 on Wednesday, 22 December 2010 at 10.00 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and to adopt the Audited Financial Statements for the financial year ended 31 August 2010 together with the reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To declare a final dividend of S\$0.02 per ordinary share for the financial year ended 31 August 2010. **(Resolution 2)**
3. To approve the Directors' fees of \$255,200 (2010: \$232,000) for the financial year ending 31 August 2011 and the payment thereof on a semi-annual basis. **(Resolution 3)**
4. To approve a one-off Directors' fees of S\$75,000 for the financial year ending 31 August 2011. **(Resolution 4)**
[See Explanatory Note 1]
5. To appoint Ms Chan Lay Hoon as a Director of the Company. **(Resolution 5)**
[See Explanatory Note 2]
6. To appoint Mr Thoeng Tjhoen Onn as a Director of the Company. **(Resolution 6)**
[See Explanatory Note 2]
7. To appoint Mr Alvin Yeo as a Director of the Company. **(Resolution 7)**
[See Explanatory Note 2]
8. To appoint Mr Christopher Lim Tien Lock as a Director of the Company. **(Resolution 8)**
[See Explanatory Note 2]
9. To appoint Dr Lam Lee G as a Director of the Company. **(Resolution 9)**
[See Explanatory Note 2]
10. To re-appoint Foo Kon Tan Grant Thornton LLP as external auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 10)**
11. To transact any other business that may normally be dealt with at an Annual General Meeting.

Notice of Annual General Meeting

AS SPECIAL BUSINESS

12. To consider, and if thought fit, to pass the following Ordinary Resolutions with or without amendments:

- “(A) That pursuant to Section 161 of the Companies Act, Chapter 50, and the listing rules of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:
- (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;
 - (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, “Instruments”) including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;
 - (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and
- (B) notwithstanding the authority conferred by the shareholders may have ceased to be in force, issue shares in pursuance of any Instruments made or granted by the Directors while the authority was in force,

provided always, that subject to any applicable regulations as may be prescribed by the Singapore Exchange Securities Trading Limited,

- (i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed fifty per cent (50%) of the Company’s issued share capital, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed twenty per cent (20%) of the issued share capital of the Company, and for the purpose of this resolution, the issued share capital shall be the Company’s issued share capital at the time this resolution is passed, after adjusting for:
 - (a) new shares arising from the conversion or exercise of convertible securities, or
 - (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited, and
 - (c) any subsequent consolidation or subdivision of the Company’s shares, and
- (ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”

(Resolution 11)

[See Explanatory Note 3]

BY ORDER OF THE BOARD

FOO SOON SOO

Company Secretary
6 December 2010

SINGAPORE

Explanatory Notes:

1. The proposed one-off Directors' fees of \$75,000 under the ordinary resolution in item 4 are payable to the Non-Executive Directors, Mr Quek Shi Kui, Mr Chin Sek Peng, Dr Phua Wee Thuan, Mr Cheng Shao Shiong @ Bertie Cheng and Dr Hari Naroomal Harilela (whose alternate is Mr Mohinder Singh Kalra) for their time and commitments in relation to the Mandatory Unconditional Cash Offer by Sasteria Pte. Ltd. ("Offeror") for all the shares in the Company not already owned, controlled or agreed to be acquired directly or indirectly by the Offeror and the parties acting in concert with it.
2. The proposed appointments of the Directors under ordinary resolutions in items 5 to 9 are made pursuant to a nomination received from Sasteria Pte. Ltd., a controlling shareholder of the Company. The curriculum vitae of the proposed new Directors are attached.
3. The ordinary resolution in item 12 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company.

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy in his stead.
2. A proxy need not be a member of the Company.
3. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
4. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, KCK CorpServe Pte. Ltd. at 333 North Bridge Road #08-00 KH KEA Building Singapore 188721, not later than forty-eight (48) hours before the time appointed for the Meeting.

Notice of Annual General Meeting

CURRICULUM VITAE OF THE PROPOSED NEW DIRECTORS

Ms Chan Lay Hoon *(Executive Chairman)*

Ms Chan, 46, began her career as an auditor with Ernst & Young Singapore and London, and later worked in the financial services industry.

She has over 15 years of extensive experience in corporate finance and investments. She sits on the boards of several companies and had served as executive director of various firms listed on the Singapore Exchange and Hong Kong Stock Exchange. Ms Chan holds a Bachelor of Accountancy from National University of Singapore.

Mr Thoeng Tjhoen Onn *(Non-Executive, Independent)*

Mr Thoeng holds a Bachelor of Arts (Hons) (English Literature) from the University of Singapore.

Mr Thoeng spent the majority of his career with Singapore Airlines Limited which he joined in 1971 and remained until retirement in 2010. His last position with Singapore Airlines before retirement was Senior Vice President Sales Regions. He has served on numerous boards within the Singapore Airlines group as well as the Virgin Atlantic group.

Mr Alvin Yeo *(Non-Executive, Independent)*

Mr Alvin Yeo is the Senior Partner of WongPartnership LLP. He was admitted to the English Bar in 1987 and to the Singapore Bar in 1988. In January 2000, Mr Yeo became the youngest lawyer to be appointed Senior Counsel.

Mr Yeo is a member of the Monetary Authority of Singapore advisory panel to advise the Minister on appeals under various financial services legislation, the Singapore International Arbitration Centre's Council of Advisors, and a Fellow of the Singapore Institute of Arbitrators. He is a Member of Parliament and the Chairman of the Government Parliamentary Committee for Home Affairs and Law.

Mr Yeo is a director and Chairman of the Remuneration Committees of United Industrial Corporation Limited and Singapore Land Limited. He is also a director of Tuas Power Ltd and Tuas Power Generation Pte Ltd. He was a former member of the Senate of the Academy of Law, the Council of the Law Society, and the board of the Civil Service College.

CURRICULUM VITAE OF THE PROPOSED NEW DIRECTORS (cont'd)

Christopher Lim Tien Lock *(Non-Executive, Independent)*

Mr Christopher Lim is Group Executive Director of Hotels Properties Limited ("HPL").

He graduated from the National University of Singapore with a bachelor's degree in Business Administration. Prior to joining HPL in 1989, he held the position of Director and Head of Corporate Finance of NM Rothschild and Sons Singapore Limited.

Dr Lam Lee G *(Non-Executive, Independent)*

Dr Lam Lee G holds a Bachelor of Science in Mathematics and Sciences, a Master of Science in Systems Science and a Master of Business Administration, all from the University of Ottawa in Canada, a Post-graduate Diploma in Public Administration from Carleton University in Canada, a Post-graduate Diploma in English and Hong Kong Law and a Bachelor of Law (Hons) from Manchester Metropolitan University in the U.K., a PCLL in law (and has completed the Bar Course) from the City University of Hong Kong, a LLM in law from the University of Wolverhampton in the U.K. and a Doctor of Philosophy from the University of Hong Kong.

Dr Lam has over 28 years of multinational general management, strategy consulting, corporate governance, investment banking, and direct investment experience in the telecommunications, media and technology (TMT), retail, property and financial services sector.

He is Chairman of Monte Jade Science and Technology Association of Hong Kong, and serves as an independent or non-executive director of several publicly-listed companies in the Asia Pacific region. Having served as a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms, Dr Lam is a Member of the Jilin Province Committee of the Chinese People's Political Consultative Committee (CPPCC), a Member of the Hong Kong Institute of Bankers, a Board Member of the East-West Center Foundation, a Member of the Young Presidents' Organization, a Fellow of the Hong Kong Institute of Directors and a Member of its Corporate Governance Committee, a Member of the General Committee and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, and a Visiting Professor at the School of Economics & Management of Tsinghua University in Beijing.

Notice of Book Closure

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed from 3 January 2011 after 5.00 p.m. to 4 January 2011, for the purpose of determining shareholders' entitlements to a final dividend of 2 cents per ordinary share.

Duly stamped and completed transfers in respect of shares in the Company received by the Company's Share Registrar, KCK CorpServe Pte. Ltd., 333 North Bridge Road KH KEA Building #08-00, Singapore 188721 up to 5.00 p.m. on 3 January 2011 will be registered to determine shareholders' entitlements to the said final dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited ("CDP") are credited with shares of the Company up to 5.00 p.m. on 3 January 2011 will be entitled to the said final dividend. In this respect, the said final dividend will be paid by the Company to CDP which will distribute the dividend to holders of the securities accounts.

The proposed dividend will be paid on 12 January 2011.

BY ORDER OF THE BOARD

FOO SOON SOO

Company Secretary
6 December 2010

SINGAPORE

IMPORTANT:

1. This Annual Report is sent to investors who have used their CPF monies to buy shares in the Company at the request of their CPF Approved Nominees, and is sent solely FOR THEIR INFORMATION ONLY.
2. The Proxy Form is, therefore, 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.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

Proxy Form

I/We, _____ (Name)

of _____ (Address)

being a member/members of THOMSON MEDICAL CENTRE LIMITED (the "Company") hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of shareholdings to be represented by proxy (%)

and/or [delete as appropriate]

Name	Address	NRIC/Passport No.	Proportion of shareholdings to be represented by proxy (%)

as my/our proxy/proxies to attend and to vote for me/us and on my/our behalf at the Annual General Meeting of the Company (the "Meeting") to be held at Holiday Inn Singapore Orchard City Centre, Orchid Room, Basement 1, 11 Cavenagh Road, Singapore 229616 on Wednesday, 22 December 2010 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

No.	Ordinary Resolutions	To be used on a show of hands		To be used in the event of a poll	
		For*	Against*	For**	Against**
1.	To receive and to adopt the Audited Financial Statements for the year ended 31 August 2010 together with the reports of the Directors and the Auditors thereon.				
2.	To declare a final dividend of S\$0.02 per ordinary share for the financial year ended 31 August 2010.				
3.	To approve the Directors' fees of \$255,200 (2010: \$232,000) for the financial year ending 31 August 2011 and the payment thereof on a semi-annual basis.				
4.	To approve a one-off Directors' fees of S\$75,000 for the financial year ending 31 August 2011.				
5.	To appoint Ms Chan Lay Hoon as a Director of the Company.				
6.	To appoint Mr Thoeng Tjhoen Onn as a Director of the Company.				
7.	To appoint Mr Alvin Yeo as a Director of the Company.				
8.	To appoint Mr Christopher Lim Tien Lock as a Director of the Company.				
9.	To appoint Dr Lam Lee G as a Director of the Company.				
10.	To re-appoint Foo Kon Tan Grant Thornton LLP as external auditors of the Company and to authorise the Directors to fix their remuneration.				
Special Business					
11.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50.				

* Please indicate your vote "For" or "Against" with a "✓" within the box provided.

** If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2010.

Total number of Shares held in	Number of Shares
(a) CDP Register	
(b) Register of Members	

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

IMPORTANT: PLEASE READ NOTES FOR PROXY FORM

Important Notes:

1. 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, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, 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. If the number of shares is not inserted, this proxy form will be deemed to relate to the entire number of ordinary shares in the Company registered in your name(s).
2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him.
3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding or the number of shares to be represented by each proxy. If no such proportion or number is specified, the first-named proxy may be treated as representing 100 per cent (100%) of the shareholding and any second-named proxy as alternate to the first-named.
4. The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a notarially certified or office copy thereof, shall be deposited at the office of the Company's Share Registrar, KCK CorpServe Pte. Ltd. at 333 North Bridge Road #08-00 KH KEA Building Singapore 188721 not less than forty-eight (48) hours before the time appointed for the Annual General Meeting.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing; or if such appointor is a corporation under its common seal, if any, and, if none, then under the hand of some officer duly authorised in that behalf. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointor.
6. A corporation which is a member may authorise by resolution of its directors or other governing body or such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50.
7. Please indicate with a "✓" in the appropriate space how you wish your proxy to vote. If this proxy form is returned without any indication as to how your proxy shall vote, he will vote or abstain from voting as he thinks fit.

General

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or when the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Annual General Meeting, as certified by the Central Depository (Pte) Limited to the Company.



Celebrating Life!

THOMSON MEDICAL CENTRE LIMITED

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