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Independent auditors' report

Members of the Company
Raffles Medical Group Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Raffles Medical Group Ltd (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages FS1 to FS87.

In our opinion, the accompanying 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 Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Valuation of goodwill ($24,423,000) (Refer to note 5 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The assessment of the recoverability of goodwill requires significant judgement in determining the forecast future performance of the cash generating unit to which goodwill is allocated. Management's impairment assessment involves significant estimation, principally relating to the key assumptions for revenue growth rates, terminal growth rates and discount rates. The subjectivity of the principal assumptions required a significant amount of judgement and audit effort.	We assessed the appropriateness of management's determination of cash generating units (CGU). Our work focused on detailed analysis of the Group's value-in-use (VIU) calculations and we challenged the assumptions used by the Group in conducting the impairment review. Our procedures for challenging management's key assumptions included: • developing independent expectations for the key assumptions driving the cash flow projections, in particular discount rates, and comparing the independent expectations to those used by the Group; • challenging key assumptions for revenue growth rates and terminal growth rates with reference to economic and industry forecasts; • assessing the historical accuracy of the Group's estimates in the previous period; and • performing sensitivity analysis around the key assumptions including revenue growth rates and discount rates to assess the extent of the change that would be required for the assets to be impaired. We also assessed whether the Group's disclosures about the CGU's key assumptions used and sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.
Our findings	
We concluded that the identification of CGUs was appropriate. We found that the assumptions and resulting estimates were balanced. CGU's key assumptions were appropriately disclosed.	

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Classification and valuation of investment properties ($311,160,000) (Refer to note 6 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group has a property portfolio and the intended usage of each of the properties within this portfolio can change. Classification of an asset as investment property is based on how it is initially and subsequently used, and intentions for future use. Judgement is required in determining classification of investment properties. The Group engaged external experts to value its investment properties that are carried at fair value. The valuation of investment properties is sensitive to the key assumptions used in determining the cash flows projection, capitalisation, discount and termination yield rates. A small change in the assumption can have a significant impact on the valuations.	We evaluated the classification of investment properties, by enquiring the Group on how the properties are initially classified, subsequently used and intentions for future use. We evaluated the competency, capabilities and objectivity of the external valuers and held discussion with the external valuers to understand their valuation approach and basis of valuation. We challenged the appropriateness of the key assumptions used by the external valuers, including capitalisation rate, discount rate, terminal yield rate and term and reversion rate, by comparing them against historical trends and externally derived data. We considered the appropriateness of the relevant disclosure.
Our findings	
We found that the classification of the investment properties is appropriate. The valuers are members of generally-recognised professional bodies for valuers. The valuation methodologies used by the external valuers are comparable to similar property types in the market and those used in the prior years. The key assumptions used were appropriate and noted to be comparable to historical trends and externally derived data. We found that the disclosures in the financial statements are appropriate.	

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report except for the Shareholdings Statistics. The Shareholdings Statistics is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit 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 Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Lau Kam Yuen.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
23 February 2019