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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 2023, 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 material accounting policy information 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 Companies Act 1967 (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 2023 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.



Valuation of goodwill

(Refer to note 5 to the financial statements)

The Group has goodwill with a carrying value of \$10,759,000 (2022: \$11,150,000) as at 31 December 2023. The goodwill is impaired when the carrying value of the cash generating unit (CGU) of which the goodwill is allocated to, exceeds their recoverable amount. The recoverable amount is the higher of their fair value less cost of disposal and its value in use. Estimating the recoverable amount involves significant judgement in determining an appropriate model and the underlying assumptions to be applied; coupled with the inherent estimation uncertainties that arise when estimating and discounting future cash flows. The recoverable amount is sensitive to inputs and assumptions underlying the model used. Some of the key inputs and assumptions relate to expectations of future cash flows, growth rates and discount rate.

Our response

For goodwill, we evaluated the cash flows used in the model against the understanding we obtained about the business through our audit and assessed if the cash flows were reasonable. We challenged the appropriateness of key assumptions used by the Group in its impairment testing comprising the discount rate and growth rate by comparing these to externally available market data and recent historical operating statistics for reasonableness. We also assessed whether or not the assumptions showed any evidence of management bias with a particular focus on the risk that the forecast cash flows may not support the carrying amount of goodwill.

Valuation of investment properties

(Refer to note 6 to the financial statements)

The Group owns investment properties in Singapore, which comprise primarily shop units and commercial space with a carrying value of \$246,100,000 (2022: \$273,400,000) as at 31 December 2023.

The investment properties are stated at their fair values based on independent external valuations. The valuation process is considered a key audit matter because it involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. Any changes in the assumptions will have an impact on the valuation.

Our response

We evaluated the qualifications and competence of the external valuer and held discussions with the valuer to understand their valuation methods and assumptions used. We considered the valuation methodologies used against those applied by other valuers for similar property types. We tested the integrity of inputs of the projected cash flows used in the valuation to supporting leases and other documents. We challenged the capitalisation, discount and terminal capitalisation rates used in the valuations by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the valuer.

Valuation of property, plant and equipment

(Refer to note 4 to the financial statements)

As at 31 December 2023, the carrying amount of property, plant and equipment amounted to \$768,303,000 (2022: \$739,072,000), which includes the Group's hospitals in China. The Group's policy is to carry property, plant and equipment at cost less accumulated depreciation and accumulated impairment losses.

In 2022, the Group has identified impairment indicators in the China hospitals. Accordingly, management has estimated the recoverable amounts of these hospitals based on independent external valuations. As a result of the assessment, an impairment loss of \$9,958,000 was recognised for these hospitals. In 2023, no further impairment loss was recognised.



The impairment assessment is considered a key audit matter because it involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. Any changes in the assumptions will have an impact on the recoverable amounts of these hospitals.

Our response

We evaluated the qualifications and competence of the external valuer and held discussions with the valuer to understand their valuation methods and assumptions used. We involved our internal valuation specialist to consider the valuation methodology used against those applied by the valuer for similar asset types and compared the external valuations against recently transacted prices of comparable assets.

Valuation of Insurance Contract Liabilities

(Refer to notes 3.10 and 16 to the financial statements)

On 1 January 2023, the Group transitioned to reporting under the new accounting standard SFRS(I) 17 *Insurance Contracts* ("SFRS(I) 17") which replaced SFRS(I) 4 *Insurance Contracts*.

The Group's insurance contract liabilities as at 31 December 2023 is S\$91,435,000 (2022: \$72,517,000), which constitutes 18.9% (2022: 14.4%) of the Group's total liabilities as at 31 December 2023. Under SFRS(I) 17, the Group measures the insurance contract liabilities which comprise liabilities for remaining coverage ("LRC") and liabilities for incurred claims ("LIC") for groups of insurance contracts using the premium allocation approach ("PAA"). A loss component ("LC") is recognised when there are facts and circumstances that indicate that a group of insurance contracts is onerous. The computed LC is the difference between the carrying amount of the LRC and the fulfilment cash flows that relate to the remaining coverage.

The valuation of the insurance contract liabilities and determination of LC on onerous contracts are complex and involves actuarial valuation methodologies and calculations requiring significant judgement and assumptions by management. Due to the complexity and significant judgement and assumptions involved in the estimation of insurance contract liabilities, we have considered this to be a key audit matter.

Our response

We tested how management made the estimate and performed audit procedures to address this matter:

- We understood the actuarial process, including models changes and assumptions setting by evaluating management's assessment on PAA eligibility and methods for measurement of LIC and LRC.
- We assessed the reasonableness of the valuation methodologies and key assumptions used to determine the risk adjustments, loss components on insurance contracts and assessing the underlying discounted cash flow model.

Our assessment of the valuation methodologies and assumptions included:

- Obtaining an understanding of, and testing, the controls in place to determine the assumptions and the accuracy and completeness of the data used.
- Examining the approach used by management and management's specialist to derive the key assumptions by applying to our industry knowledge and experience.
- Challenging the key assumptions used by management against past experience and market observable data (if any) and our experience of market practice.



We checked the calculation of the liability adequacy test and assessed the related results in order to ascertain whether the insurance contract liabilities used for the inforce business are adequate in the context of a valuation on current best estimate assumptions.

We have assessed the appropriateness of the transition approach, the related changes in presentation and disclosures in the consolidated financial statements arising from the effects of adopting SFRS(I) 17.

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.

When we read the Shareholdings Statistics, if we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate action in accordance with SSAs.

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 Ms Karen Lee Shu Pei.

KPMG LLP

KPMG LLP
*Public Accountants and
Chartered Accountants*

Singapore
24 February 2024