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## **RMH HOLDINGS LIMITED**

### **德斯控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8437)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This announcement, for which the directors (the “Directors”) of RMH Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## HIGHLIGHTS

- The revenue of the Group amounted to approximately S\$7,809,000 for the year ended 31 December 2020, representing a slight increase of approximately S\$584,000 or 8.1% as compared with the year ended 31 December 2019.
- Group recorded a loss of approximately S\$9,272,000 for the year ended 31 December 2020, representing a decrease of approximately S\$9,430,000 as compared to a profit of approximately S\$158,000 for the year ended 31 December 2019. This was mainly pertaining to costs rising from employee benefits expenses, impairment losses, depreciation of right-of-use assets as well as other professional fees incurred by the Group for the year ended 31 December 2020.
- Loss per share was (1.55) Singapore cents for the year ended 31 December 2020 compared to basic earnings per share was 0.03 Singapore cents for the year ended 31 December 2019.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2020.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

	<i>Notes</i>	<b>2020</b> <b>S\$'000</b>	2019 <i>S\$'000</i>
Revenue	4	7,809	7,225
Other operating income	6	2,777	304
Consumables and medical supplies used		(2,467)	(1,140)
Other direct costs		(218)	(172)
Employee benefits expense		(3,884)	(2,322)
Depreciation of plant and equipment	12	(491)	(329)
Depreciation of right-of-use assets	16	(2,207)	(1,056)
Other operating expenses		(4,302)	(2,066)
Finance costs	7	(261)	(65)
Impairment loss on finance lease receivables		(541)	–
Impairment loss on investment in joint venture		(1,558)	–
Impairment loss on trade and other receivables		(2,761)	–
Share of loss of joint venture		(1,093)	–
<b>(Loss)/Profit before tax</b>	8	<b>(9,197)</b>	379
Income tax expense	9	(75)	(221)
<b>(Loss)/Profit for the year</b>		<b>(9,272)</b>	158
<b>Other comprehensive income/(loss) after tax:</b>			
<b>Item that may be reclassified subsequently to profit or loss</b>			
Foreign currency translation income/(loss) on consolidation		59	(20)
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>59</b>	(20)
<b>Total comprehensive (loss)/income for the year</b>		<b>(9,213)</b>	138
<b>Basic and diluted (loss)/earnings per share</b>			
<b>(Singapore cents)</b>	11	<b>(1.55)</b>	0.03

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	<b>2020</b> <i>S\$'000</i>	2019 <i>S\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Plant and equipment	12	<b>2,586</b>	1,383
Intangible assets	13	<b>316</b>	–
Deposits	18	<b>2,341</b>	689
Fair value through profit or loss instrument	15	<b>91</b>	–
Right-of-use assets	16	<b>5,419</b>	9,853
Investment in joint venture	17	<b>–</b>	–
Finance lease receivables	14	<b>111</b>	–
		<b>10,864</b>	11,925
<b>Current assets</b>			
Inventories	19	<b>849</b>	261
Trade and other receivables	20	<b>3,281</b>	817
Cash and cash equivalents	21	<b>4,932</b>	12,651
Finance lease receivables	14	<b>564</b>	–
		<b>9,626</b>	13,729
<b>Current liabilities</b>			
Trade and other payables	22	<b>2,681</b>	656
Lease liabilities	23	<b>2,776</b>	2,235
Borrowings	24	<b>2,829</b>	–
Income tax payables		<b>86</b>	224
		<b>8,372</b>	3,115
<b>Net current assets</b>		<b>1,254</b>	10,614
<b>Total assets less current liabilities</b>		<b>12,118</b>	22,539

	<i>Notes</i>	<b>2020</b> <b>S\$'000</b>	2019 <i>S\$'000</i>
<b>Non-current liabilities</b>			
Lease liabilities	<i>23</i>	<b>3,307</b>	7,754
Trade and other payables	<i>22</i>	<b>337</b>	–
Borrowings	<i>24</i>	<b>2,844</b>	–
Deferred tax liability	<i>25</i>	<b>99</b>	41
		<u><b>6,587</b></u>	<u>7,795</u>
<b>Net assets</b>		<u><b>5,531</b></u>	<u>14,744</u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	<i>26</i>	<b>1,037</b>	1,037
Share premium	<i>27</i>	<b>9,589</b>	9,589
Reserves		<b>2,204</b>	2,145
(Accumulated loss)/Retained earnings		<u><b>(7,299)</b></u>	<u>1,973</u>
<b>Equity attributable to owners of the Company</b>		<u><b>5,531</b></u>	<u>14,744</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the financial year ended 31 December 2020*

## 1 GENERAL

RMH Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands on 22 March 2017. Its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong Company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Companies Ordinance**”) on 25 May 2017 and the principal place of business of the Company in Hong Kong is at Unit 912, 9/F, Two Harbourfront, 22 Tak Fung Street, Hunghom, Kowloon, Hong Kong. The head office and principal place of business of the Company in Singapore is at #17-01/02 Paragon (Office Tower), 290 Orchard Road, Singapore 238859. The shares of the Company (the “**Shares**”) have been listed on GEM of the Stock Exchange with effect from 13 October 2017 (the “**Listing**”) by way of share offer (the “**Share Offer**”). The immediate and ultimate holding company of the Company is Brisk Success Holdings Limited (“**Brisk Success**”) which is a company incorporated in the British Virgin Islands.

The consolidated financial statements for the year ended 31 December 2020 were authorised on 25 March 2021 for issue by the Board.

## 2 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”) which include International Accounting Standards (“**IASs**”) and Interpretations promulgated by the International Accounting Standards Board and the disclosure requirements of the GEM Listing Rules and the Companies Ordinance.

The consolidated financial statements are presented in Singapore Dollars (“**S\$**”) which is the same as the functional currency of the Company and all values are rounded to the nearest thousands, unless otherwise stated.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## **Critical judgements in applying the group's accounting policies**

Management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimates, which are dealt with below).

### **Key sources of estimation uncertainty**

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

### **Impact on COVID-19**

The impact from COVID-19 pandemic has continued to impact certain operations of the Group during the year. Measures implemented by the government including travel restrictions, lockdowns and safe distancing has impacted the Group's business operations which include delay in shipment of equipment as well as the moving in of a tenant and also the demand of services in Hong Kong. These challenges faced by the Group resulted in the following key judgements and estimates relating to the valuation of receivables and the carrying amount of investment in a joint venture taking into consideration available current market information and conditions.

#### ***i) Impairment of trade and other receivables and finance lease receivables***

The Group records any expected credit losses on its trade and other receivables and finance lease receivables based on the likelihood of default. During the year, the Group experienced delays in payments and carried out a review of the recoverability of trade and other receivables and finance lease receivables taking into consideration the profile of debtors, period that the amounts were past due, as well as results of any collection efforts to determine if any credit loss allowance is required. This led to the recognition of impairment loss of other receivables of S\$767,000 and finance lease receivables of S\$541,000 (2019: S\$Nil) in profit or loss as management determined that these are credit impaired.

The carrying amounts of the Group's trade and other receivables and finance lease receivables at the end of the reporting period are disclosed in Notes 20 and 14.

#### ***ii) Impairment of carrying amount of investment in joint venture and amount owing from joint venture***

The Group has a Joint Venture in Hong Kong which operates a chain of clinics. Due to the pandemic, not all the clinics are in operations as at end of the reporting period and actual sales from the operating clinics has been below expectations. For the year ended 31 December 2020, the joint venture Group has incurred a loss and current liabilities exceeded its current assets. The business of the joint venture continues to be severally impacted by COVID-19 safety measures in Hong Kong. Given the uncertainty surrounding the lifting of safety restrictions and the additional cash flow requirements of the joint venture, management has performed an assessment which led to an impairment of S\$1,994,000 on the advances to the joint venture and S\$1,558,000 on the carrying amount of the investment.

## 4 REVENUE

### Revenue analysis

Revenue represents the net amounts received and receivable for goods sold and services rendered by the Group in normal course of business to outside customers. The following is an analysis of the Group's revenue from its major business activities:

A disaggregation of the Group's revenue are as follows:

	<b>2020</b>	2019
	<b><i>S\$'000</i></b>	<i>S\$'000</i>
Types of services:		
Aesthetic Services	<b>220</b>	124
Consultation Services	<b>1,328</b>	1,843
Prescription and Dispensing Services	<b>1,949</b>	2,110
Treatment Services	<b>1,835</b>	2,499
Other services ( <i>Note 1</i> )	<b>692</b>	649
Trading Sales	<b>1,785</b>	–
	<hr/>	<hr/>
Total	<b>7,809</b>	7,225
	<hr/>	<hr/>
Timing of revenue recognition:		
At a point in time	<b>4,426</b>	2,759
Over time	<b>3,383</b>	4,466
	<hr/>	<hr/>
Total	<b>7,809</b>	7,225
	<hr/> <hr/>	<hr/> <hr/>

*Note 1:* Other services mainly represent service income from patients in relation to laboratory tests carried out during the treatment.

## 5 OPERATING SEGMENTS

For management purposes, the Group is organized into business units based on their services, and has two reportable segments as follows:

- i. Healthcare service; and
- ii Trading Sales

Healthcare service relates to the consultation services, prescription and dispensing services and treatment services. Healthcare service focusing on provision of dermatology treatment solutions, specialised in skin cancer, skin diseases and aesthetic procedures.

Trading Sales relates to supplies of medical products including hand sanitiser, disposal medical mask, medical supplements and other medical products.

Management monitors the operating results of the segment separately for the purposes of making decisions about resources to be allocated and of assessing performance. Information is reported to the executive directors of the Company, being the chief operating decision maker (“CODM”) of the Group, for the purposes of resource allocation and performance assessment. The accounting policies are the same as the Group’s accounting policies. The CODM reviews the segment performance based on operating profit or loss which is similar to the accounting profit or loss.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated expense and income comprise of expense and other sources of income which are not directly attributable to the identified segments.

Intersegment sales and transfers are on terms’ agreement in a manner similar to transactions with third parties at the then prevailing market prices. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

## Segment revenue and profits

The following is an analysis of the Group's revenue and results by reportable segments:

	Healthcare service		Trading Sales		Adjustments and eliminations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Revenue</b>								
Revenue from								
external customers	6,024	7,225	1,785	–	–	–	7,809	7,225
Inter-segment revenues	555	89	211	–	(766)	(89)	–	–
Segment revenue	6,579	7,314	1,996	–	(766)	(89)	7,809	7,225
Other direct costs and cost of consumable and medical supplies used	(2,152)	(1,401)	(1,224)	–	691	89	(2,685)	(1,312)
Gross profit	4,427	5,913	772	–	(75)	–	5,124	5,913
<b>Results</b>								
Other operating income	580	304	2,197	–	–	–	2,777	304
Employee benefits expenses	(3,359)	(2,322)	(525)	–	–	–	(3,884)	(2,322)
Depreciation of ROU assets, plant and equipment	(1,499)	(1,385)	(1,199)	–	–	–	(2,698)	(1,385)
Other operating expenses	(3,684)	(2,066)	(618)	–	–	–	(4,302)	(2,066)
Impairment loss on lease receivables	–	–	(541)	–	–	–	(541)	–
Impairment loss on investment in joint venture	(1,558)	–	–	–	–	–	(1,558)	–
Impairment loss on trade and other receivables	(1,994)	–	(767)	–	–	–	(2,761)	–
Finance costs	(139)	(65)	(122)	–	–	–	(261)	(65)
Share of profit/(loss) of joint venture	(1,093)	–	–	–	–	–	(1,093)	–
(Loss)/Profit before tax							<u>(9,197)</u>	<u>379</u>
Income tax							<u>(75)</u>	<u>(221)</u>
(Loss)/Profit for the year							<u><u>(9,272)</u></u>	<u><u>158</u></u>

## 6 OTHER OPERATING INCOME

	2020 <i>S\$'000</i>	2019 <i>S\$'000</i>
Interest income	–	281
Interest income on rental deposits	21	9
Interest income on finance lease	21	–
Gain on disposal of right-of-use assets	1,061	–
License Fee	427	–
Government grants	570	14
Others rental income	677	–
	<u>2,777</u>	<u>304</u>

Government grant represents primarily government subsidies in form of cash payout from Inland Revenue Authority of Singapore in relation to support business embarking on transformation efforts and encourage sharing of productivity gains with workers until year 2020. Following with the outbreak of COVID-19, Singapore government introduced Jobs Supports Scheme (“JSS”) to help enterprises retain local employees during this period of economic uncertainty. All of them are compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs. Besides, property tax rebate and rental relief for non-residential properties is announced by the government, which seeks to ease the cash flow and cost pressures of businesses affected by the COVID-19 outbreak.

The gain on disposal of right-of-use assets arose due to a lease novated to joint venture as well as the granting of the use of certain leased space to external parties with similar tenure at higher rates than the head lease.

## 7 FINANCE COSTS

	2020 <i>S\$'000</i>	2019 <i>S\$'000</i>
Interest expense on borrowings	69	65
Interest expense on lease liabilities	192	–
	<u>261</u>	<u>65</u>

## 8 (LOSS)/PROFIT BEFORE TAX

(Loss)/Profit before tax has been arrived at after charging:

	2020	2019
	<i>S\$'000</i>	<i>S\$'000</i>
Audit fees (included in other operating expenses)	164	152
Administrative fees (included in other operating expenses)	279	296
Net foreign currency exchange loss (included in other operating expenses)	454	204
Professional and consulting fees (included in other operating expenses)	2,604	1,047
Government Rate (included in other operating expenses)	78	–
Research fees (included in other operating expenses)	92	–
Travelling Expenses (included in other operating expenses)	113	46
Employee benefits expense:		
Directors' remunerations		
– Singapore	1,736	946
– Hong Kong	248	–
Other staff costs		
– salaries, bonus and other benefits	1,737	1,223
– contributions to retirement benefits scheme	163	153

## 9 INCOME TAX EXPENSE

	2020	2019
	<i>S\$'000</i>	<i>S\$'000</i>
Tax expense comprises:		
Singapore corporate income tax (“CIT”)		
– Current tax	17	204
	17	204
Deferred tax expense ( <i>Note 25</i> )	58	17
	75	221

## 10 DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: S\$Nil).

## 11 BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

	2020	2019
(Loss)/Profit attributable to the owners of the Company (S\$'000)	(9,272)	158
Weighted average number of ordinary shares in issue ('000)	600,000	600,000
(Loss)/Earnings per share (Singapore cents)	<u>(1.55)</u>	<u>0.03</u>

For the years ended 31 December 2019 and 2020, no separated diluted earnings per share information has been presented as there was no dilutive potential ordinary shares outstanding.

## 12 PLANT AND EQUIPMENT

	Medical equipment <i>S\$'000</i>	Computer and office equipment <i>S\$'000</i>	Leasehold improvements <i>S\$'000</i>	Leasehold improvements in progress <i>S\$'000</i>	Total <i>S\$'000</i>
<b>Cost:</b>					
At 1 January 2019	995	76	185	189	1,445
Reclassification	–	–	189	(189)	–
Additions	124	83	965	–	1,172
Written off	–	(3)	–	–	(3)
At 31 December 2019	<u>1,119</u>	<u>156</u>	<u>1,339</u>	<u>–</u>	<u>2,614</u>
Additions	1,103	94	613	–	1,810
Disposals	(120)	–	–	–	(120)
Written off	(436)	(12)	(140)	–	(588)
At 31 December 2020	<u><u>1,666</u></u>	<u><u>238</u></u>	<u><u>1,812</u></u>	<u><u>–</u></u>	<u><u>3,716</u></u>
<b>Accumulated Depreciation:</b>					
At 1 January 2019	696	53	155	–	904
Provided for the year	99	24	206	–	329
Written off	–	(2)	–	–	(2)
At 31 December 2019	<u>795</u>	<u>75</u>	<u>361</u>	<u>–</u>	<u>1,231</u>
Provided for the year	196	30	265	–	491
Disposals	(9)	–	–	–	(9)
Written off	(431)	(12)	(140)	–	(583)
At 31 December 2020	<u><u>551</u></u>	<u><u>93</u></u>	<u><u>486</u></u>	<u><u>–</u></u>	<u><u>1,130</u></u>
<b>Carrying Values:</b>					
At 31 December 2020	<u><u>1,115</u></u>	<u><u>145</u></u>	<u><u>1,326</u></u>	<u><u>–</u></u>	<u><u>2,586</u></u>
At 31 December 2019	<u><u>324</u></u>	<u><u>81</u></u>	<u><u>978</u></u>	<u><u>–</u></u>	<u><u>1,383</u></u>

The above items of plant and equipment are depreciated on a straight-line basis after taking into account of their residual values at the following rates per annum:

Medical equipment	20% to 33%
Computer and office equipment	20% to 33%
Leasehold improvements	Shorter of 5 years or over the lease term

### 13 INTANGIBLE ASSETS

**Software  
under  
development**  
*S\$'000*

Cost:

At 1 January 2019 and 31 December 2019

–

Additions

316

At 31 December 2020

316

### 14 FINANCE LEASE RECEIVABLES

**2020**                      2019  
*S\$'000*                      *S\$'000*

**Amounts receivable under finance leases:**

Year 1

**963**                      –

Year 2

**276**                      –

Undiscounted lease payments

**1,239**                      –

*Less:* Unearned finance income

**(23)**                      –

Present value of lease payment receivable

**1,216**                      –

Net impairment loss allowance

**(541)**                      –

Net investment in the lease

**675**                      –

**Undiscounted lease payments analysed as:**

Recoverable within 12 months

**963**                      –

Recoverable after 12 months

**276**                      –

**1,239**                      –

**Net investment in the lease analysed as:**

Recoverable within 12 months

**564**                      –

Recoverable after 12 months

**111**                      –

**675**                      –

The following table presents the amounts included in profit or loss:

	<b>2020</b>	2019
	<i>S\$'000</i>	<i>S\$'000</i>
Gain on disposal of right-of-use assets	<u>718</u>	<u>–</u>

The Group entered into finance leasing arrangements as a lessor for certain office space to its tenants. The average term of finance leases entered into is 2 years.

The Group's finance lease arrangements do not include variable payments.

The average effective interest rate contracted approximately 3% (2019: Nil) per annum.

Management estimate the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime ECL. In determining the expected credit losses of these receivables, management taking into account the historical default experience and the future prospects of the industries in which the lessees operate, as appropriate, in estimating the probability of default of each of these receivables occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for finance lease receivables.

## **15 FAIR VALUE THROUGH PROFIT OR LOSS INSTRUMENT**

The convertible loan notes were purchased in December 2020. The notes together with all accrued and unpaid interest will be convert into the highest class of shares of the investee on the maturity date. The maturity date is 24 months following the drawdown of the investment.

The convertible loan notes are determined to be unquoted in an active markets with the fair value of the convertible notes of initial recognition approximating to be the transaction price.

## 16 RIGHT-OF-USE ASSETS

The Group leases several leasehold office and clinics. The average lease term is 3-5 years (2019: 3-5 years).

	<b>Leasehold office and clinics</b>
	<i>S\$'000</i>
<b>Group</b>	
<b>Cost:</b>	
At 1 January 2019	1,802
Additions	<u>9,107</u>
At 1 January 2020	10,909
Additions	5,558
Disposal	<u>(8,333)</u>
At 31 December 2020	<u><u>8,134</u></u>
<b>Accumulated depreciation:</b>	
At 1 January 2019	–
Depreciation	<u>1,056</u>
At 1 January 2020	1,056
Depreciation	2,207
Disposals	(526)
Exchange different	<u>(22)</u>
At 31 December 2020	<u><u>2,715</u></u>
<b>Carrying amount:</b>	
At 31 December 2020	5,419
At 31 December 2019	<u><u>9,853</u></u>

## 17 INVESTMENT IN JOINT VENTURE

	<b>2020</b>	2019
	<i>S\$'000</i>	<i>S\$'000</i>
Cost of investment in joint venture	<b>2,651</b>	–
Share of loss of joint venture	<b>(1,093)</b>	–
Less: Loss allowance on investment in joint venture	<u><b>(1,558)</b></u>	–
	<u><u>–</u></u>	<u><u>–</u></u>

A review of the recoverable amount of the joint venture led to the recognition of an impairment loss allowance of S\$1,558,000 (2019: S\$Nil).

Details of joint venture:

<b>Name of joint venture</b>	<b>Principal activity</b>	<b>Place of incorporation and principal place of business</b>	<b>Proportion of ownership interest and voting rights held by the Group</b>
Queen's Road Medical Company Limited	Operating aesthetic, medical beauty clinic and trading medicine	Hong Kong, Central	51%

The above investment is accounted as a joint venture as the shareholders exercise joint control pursuant to the shareholders agreement.

## 18 DEPOSITS

	<b>2020</b>	2019
	<b><i>S\$'000</i></b>	<i>S\$'000</i>
Rental deposits	<b>1,076</b>	689
Deposit to a third party <sup>(1)</sup>	<b>1,265</b>	–
	<b><u>2,341</u></b>	<u>689</u>

<sup>(1)</sup> This is due to the medical equipment amounting to S\$1,265,000, which has not been delivered as at year end.

## 19 INVENTORIES

	<b>2020</b>	2019
	<b><i>S\$'000</i></b>	<i>S\$'000</i>
Consumables and medical supplies	<b><u>849</u></b>	<u>261</u>

## 20 TRADE AND OTHER RECEIVABLES

	2020	2019
	<i>S\$'000</i>	<i>S\$'000</i>
Trade receivables	2,362	532
Deposits	650	11
Prepayment	141	193
Other tax receivables	–	52
Other receivables	895	29
<i>Less: Loss allowance on other receivables</i>	<i>(767)</i>	–
Amount owing from joint venture – non current	1,994	–
<i>Less: Loss allowance on amount owing from joint venture</i>	<i>(1,994)</i>	–
	<u>3,281</u>	<u>817</u>

The patients of the Group usually settle their payments by cash, Network for Electronic Transfer (“NETS”), credit cards and claiming from healthcare solutions and insurance companies. For credit cards and NETS, the bank will deposit the money in the following day after the date of invoice. For payment claiming from healthcare solutions and insurance companies, the Group allowed a credit period ranging from 45 to 90 days to healthcare solutions and insurance companies and it would generally grant payment terms of 90 days if payment terms are not specified in the contracts. The average credit period trade receivables from sales of healthcare products is 90 days.

Loss allowance for trade receivables has been measured at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor’s current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The following table details the risk profile of trade receivables from contracts with customers based on the Group’s provision matrix. As the Group’s historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group’s different customer base.

The following is an ageing analysis of trade receivables of the Group presented based on due dates for the trade receivables from the customers who settle payments by claiming from healthcare solutions and insurance companies and trade receivables from sales of healthcare products at the end of each reporting period:

	<b>2020</b>	2019
	<b><i>S\$'000</i></b>	<i>S\$'000</i>
Current	<b>1,696</b>	452
0–30 days	<b>111</b>	80
31–60 days	<b>15</b>	–
61–90 days	<b>495</b>	–
over 90 days	<b>45</b>	–
	<u><b>2,362</b></u>	<u>532</u>

Included in the Group's trade receivables balance were debtors with a carrying amount of S\$666,000 (2019: S\$80,000) which were past due at the end of reporting period for which the Group had not provided as there had not been a significant change in create quality and the amounts were still considered recoverable. The average age of these receivables was as follows:

The following table shows the movement in 12-month ECL that has been recognised for other receivables.

	<i>S\$'000</i>
Balance as at 1 January 2019 and 31 January 2019	–
Changes in loss allowance	<u>2,761</u>
Balance as at 31 December 2020	<u>2,761</u>
Analysed by:	
Non-current	–
Current	<u>3,281</u>
	<u><u>3,281</u></u>

## 21 CASH AND CASH EQUIVALENTS

As at 31 December 2020, certain balances amounting to S\$311 (2019: S\$8,168,000) which carry interest at prevailing market rate of 0.01% (2019: 0.96%) per annum, the remaining balances do not carry interest.

22 TRADE AND OTHER PAYABLES

	2020 <i>S\$'000</i>	2019 <i>S\$'000</i>
Trade payables	675	173
Accrued legal and professional fees	561	173
Accrued operating expenses	674	132
Accrued staff cost	65	93
Accrued director fees	44	–
Deferred revenue	197	52
Amount due to a director	273	–
Other tax payables	59	–
Other payables	470	33
	<u>3,018</u>	<u>656</u>

Deferred revenue represents upfront receipt from customer.

For aesthetic services sales, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. When the customer initially purchases the package, the transaction price received at that point by the Group is recognised as deferred revenue until the goods have been delivered to the customer.

	2020 <i>\$'000</i>	2019 <i>\$'000</i>
At the beginning of the Period	52	–
Receipt from customers	420	176
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	(36)	–
Revenue recognised during the period that was related to receipt from customers in the same period	(239)	(124)
At the end of the period	<u>197</u>	<u>52</u>

The average credit period on purchase of goods is 30 days. The following is an ageing analysis of trade payables of the Group presented based on the invoice date at the end of each reporting period:

	<b>2020</b>	2019
	<b><i>S\$'000</i></b>	<i>S\$'000</i>
0–30 days	<b>469</b>	117
31–60 days	<b>78</b>	14
61–90 days	<b>29</b>	42
Over 90 days	<b>99</b>	–
	<u><b>675</b></u>	<u>173</u>
Analysed as:		
Non-current	<b>337</b>	–
Current	<b>2,681</b>	656
	<u><b>3,018</b></u>	<u>656</u>

## 23 LEASE LIABILITIES

Lease liabilities (Disclosure required by IFRS 16)

	<b>2020</b>	2019
	<b><i>S\$'000</i></b>	<i>S\$'000</i>
Maturity analysis:		
Year 1	<b>2,926</b>	2,495
Year 2	<b>1,560</b>	2,732
Year 3	<b>892</b>	2,048
Year 4	<b>598</b>	1,817
Year 5	<b>408</b>	1,579
	<u><b>6,384</b></u>	<u>10,671</u>
<i>Less: Unearned interest</i>	<u><b>(301)</b></u>	<u>(682)</u>
	<u><b>6,083</b></u>	<u>9,989</u>
Analysed as:		
Current	<b>2,776</b>	2,235
Non-current	<b>3,307</b>	7,754
	<u><b>6,083</b></u>	<u>9,989</u>

## 24 BORROWINGS

	2020 <i>S\$'000</i>	2019 <i>S\$'000</i>
<b>Secured borrowing at amortised cost</b>		
Bank loans	<u>5,673</u>	<u>–</u>
Non-current	2,844	–
Current	<u>2,829</u>	<u>–</u>

The Group has the following bank loans:

1. Loan of S\$3 million with repayment over 60 monthly instalments comprising principal and interest and commenced on 22 June 2020. The loan is secured by a corporate guarantee from the Company. The loan carries interest at 3% per annum.
2. Loan of S\$2 million with repayment over 60 monthly instalments comprising principal and interest and commenced on 12 October 2020. The loan is secured by a corporate guarantee from the Company and personal guarantee from a director of the Company. The loan carries interest at 3% per annum.
3. Loan of S\$500,000 with repayment over 60 monthly instalments comprising principal and interest commenced on 23 October 2020. The loan is secured by a corporate guarantee from the Company and personal guarantee from a director of the Company. The loan carries interest at 4.5% per annum.
4. Loan of S\$500,000 with repayment over 60 monthly instalments comprising principal and interest commenced on 2 November 2020. The loan is secured by a corporate guarantee from the Company and personal guarantee from a director of the Company. The loan carries interest at 4.5% per annum.

The weighted average interest rates paid during the year were as follows:

	2020 %	2019 %
Bank loans	<u>3.00-4.50</u>	<u>–</u>

During the year, the Group breached a financial covenant for a bank loan from a financial institution amounting to S\$2,673,494. Accordingly, the amount was classified as current liabilities. Subsequent to year end, the Group has obtained a waiver from financial institution relating to the breach till 29 July 2022.

## 25 DEFERRED TAX LIABILITY

### Accelerated tax depreciation S\$'000

At 1 January 2019	24
Charge to profit or loss ( <i>Note 9</i> )	17
	<hr/>
At 31 December 2019	41
Charge to profit or loss ( <i>Note 9</i> )	58
	<hr/>
At 31 December 2020	<u>99</u>

## 26 SHARE CAPITAL

Details of the share capital are disclosed as follows:

	Number of shares	Par value HK\$	Share capital HK\$'000
Authorised share capital of the Company: At 1 January 2019, 31 December 2019 and 31 December 2020	<u>10,000,000,000</u>	<u>0.01</u>	<u>100,000</u>

	Number of shares	Share capital S\$'000
Issued and fully paid shares of the Company: At 1 January 2019, 31 December 2019 and 31 December 2020	<u>600,000,000</u>	<u>1,037</u>

## 27 SHARE PREMIUM

Details of the share premium are disclosed as follows:

	Share premium S\$'000
Premium arising on issue of equity shares At 1 January 2019, 31 December 2019 and 31 December 2020	<u>9,589</u>

The amounts of the Company's share premium and the movements therein during the financial years ended 31 December 2020 and 31 December 2019 are presented in the consolidated statement of changes in equity.

Share premium represents the excess of consideration for the shares issued over the aggregate per value.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW**

The Group is medical, dermatological and aesthetic service and products at multiple centres in Singapore and Hong Kong. We have five dermatology and surgery clinics in Singapore, one Aesthetic & Laser Centre, one Multi-Specialists Centre and one Regenerative Medicine Centre in Hong Kong

The group provides services to patients for medical, surgical and laser treatment of full range of dermatology, hair and nail disorders. The group has particular strength and expertise in management of skin cancers from state of the art Mole Mapping Scanning for skin cancer surveillance to highly specialized Mohs Micrographic Surgery.

The Group also provides aesthetic services and products in Aesthetic medicine through our clinics in Singapore and Aesthetic & Laser Centre in Hong Kong. The Group also provides medical services at our Multi-specialist Centre, and products in the form of regenerative skin care products, and anti-aging oral supplement products at Regenerative Medicine Centre in Hong Kong.

The outbreak of COVID-19 Pandemic in Singapore, Hong Kong and worldwide throughout 2020 associated with stringent government measures and lockdown has adversely impacted the clinics operation at both Singapore and Hong Kong. The shutdown of international travel and closure of border between Hong Kong and China resulted in collapse of medical tourism which previously constituted a significant part of our revenue of our clinics.

The revenue of the Group increased slightly by approximately S\$584,000 or 8.1%, to approximately S\$7,809,000, when compared to the year ended 31 December 2020. The revenue of Aesthetic Service, Consultation Service, Prescription and Dispensing Service, Treatment Service, Trading Sales and other service amounted to S\$220,000, S\$1,328,000, S\$1,949,000, S\$1,835,000, S\$1,785,000 and S\$692,000 which accounted for approximately 2.8%, 17.0%, 25.0%, 23.5%, 22.9% and 8.8% of the total revenue of the Group for the year ended 31 December 2020 respectively.

### **BUSINESS OUTLOOK**

While the business operating environment in Singapore and Hong Kong remains unfavourable due to the ongoing government measures in controlling the COVID-19 Pandemic, we are cautiously optimistic that the worse is over and we will return to profitability for the year ahead.

With further easing of government anti-COVID-19 measures and rapid roll out of mass vaccination in both Hong Kong and Singapore, we expect the Singapore business will continue to resume steady growth with the opening of new clinic at Gleneagles Medical Centre and recruitment of four new dermatologists. We also expect our new business in Hong Kong at both Aesthetic & Laser Centre and Regenerative Medicine Centre to start contributing significant revenue and become the new engine of growth for the Group when the border between Hong Kong & China reopens later this year.

## FINANCIAL REVIEW

### Revenue

The Group's overall revenue amounted to approximately S\$7,809,000 for the year ended 31 December 2020, representing an increase of approximately S\$584,000 or 8.08% as compared with the revenue of S\$7,225,000 for the year ended 31 December 2019.

The Group provides an all-round treatment solution that is tailored to the patients' individual needs in the field of dermatology. These are achieved through the provision of personalised services, including Aesthetic Services, Consultation Services, Prescription and Dispensing Services, Treatment Services, Other Services and Trading Sales. The increase in revenue for the year ended 31 December 2020 was mainly attributable to increase in other services in relation to laboratory tests carried out during the treatment. The following table sets forth a breakdown of our revenue for the periods indicated:

	<b>2020</b>	2019
	<b><i>S\$'000</i></b>	<i>S\$'000</i>
Types of services:		
Aesthetic Services	<b>220</b>	124
Consultation Services	<b>1,328</b>	1,843
Prescription and Dispensing Services	<b>1,949</b>	2,110
Treatment Services	<b>1,835</b>	2,499
Other services	<b>692</b>	649
Trading Sales	<b>1,785</b>	–
	<b><u>7,809</u></b>	<u>7,225</u>

Revenue generated from Aesthetic services increased by S\$96,000 from S\$124,000 to S\$220,000 for the year ended 31 December 2019 and 2020 respectively.

Revenue generated from Consultation Services decreased by S\$515,000 from S\$1,843,000 to S\$1,328,000 for the year ended 31 December in 2019 and 2020 respectively. With a decrease in the number of patient visits for Consultations Services from 18,622 to 17,074 for the year ended 31 December in 2019 and 2020 respectively, the Group recorded a 9% decline in the total number of patient visits for the year ended 31 December 2020.

Revenue generated from Prescription and Dispensing Services also decreased by S\$161,000 from S\$2,110,000 to S\$1,949,000 for the year ended 31 December 2019 and 2020 respectively. The decrease is in line with the decreased in patient visits from Consultation Services in the same period.

Revenue generated from Treatment Services decreased by S\$664,000 from S\$2,499,000 to S\$1,835,000 for the year ended 31 December 2019 and 2020 respectively. Revenue from Treatment Services are predominantly decreased from Excision, Cryosurgery and skin treatment.

Revenue generated from other services also increased by S\$43,000 from S\$649,000 to S\$692,000 for the year ended 31 December 2019 and 2020 respectively. Revenue from other services are mainly represent service income from patient in relation to laboratory test and medical examination.

Revenue generated from trading sales mainly represent income from the DS skin clinic ALL-DAY HAND SANITISER, disposable medical mask, which incorporated unique feature of immediate and sustained protection from the COVID-19 virus, medical supplements and other medical products.

### **Other operating income**

Other operating income for the years ended 31 December 2020 and 2019 consisted of interest income on finance lease, gain on disposal of right-of-use assets, license fee, government grant and other rental income.

### **Consumables and medical supplies used**

Our consumables and medical supplies used amounted to S\$1,140,000 and S\$2,467,000 for the year ended 31 December in 2019 and 2020, representing 32% and 16% of the total revenue respectively.

Cost of consumables and medical supplies used increased by approximately S\$1,327,000, or 116%, from approximately S\$1,140,000 for the year ended 31 December 2019 to approximately S\$2,467,000 for the year ended 31 December 2020. The increase was primarily attributable to the increase in manufacture DS skin clinic ALL-DAY HAND SANITISER, disposable medical mask and purchase of medical supplements.

Besides our cost of medication and consumables is predominantly driven by the amounts of medication and consumables we used and our procurement costs. The amount of medication and consumables we used is primarily driven by the number of patient visits, the number and complexity of treatments and other dermatological and surgical services provided.

### Other direct costs

Other direct costs are mainly attributable to laboratory charges, which are fees charged by laboratories engaged by us for providing blood, urine and other testing services for our patients.

We generally outsource medical tests such as blood testing, urine testing, and other testing services where we believe that there is insufficient demand to warrant the necessary investment for the development of the expertise and the in-house infrastructure. Therefore, we have subcontracted such testing services to external service providers and incurred laboratory charges for the provision of such testing services. The amount remained immaterial during the years ended 31 December 2020 and 2019.

### Employee benefits expense

	<b>2020</b>	2019
	<b><i>S\$'000</i></b>	<i>S\$'000</i>
Directors' remunerations		
– Singapore	<b>1,736</b>	946
– Hong Kong	<b>248</b>	–
Other staff costs:		
– Salaries, bonus and other benefits	<b>1,737</b>	1,223
– Contributions to retirement benefits scheme	<b>163</b>	153
	<u><b>3,884</b></u>	<u>2,322</u>
Employee benefits expense	<b>3,884</b>	2,322

Employee benefits expense relate to Directors' remuneration, salaries, bonus and other benefits for other professional staff such as trained therapists, clinic executives and other administrative staff, contributions to retirement benefits scheme. The increase was largely due to additional staff headcounts of aesthetic clinic and "Family and Skin" Clinic. We have recruited two General Practitioners in "Family and Skin" Clinic.

Our total staff count for employees (including part time staff), excluding our doctors, as at the end of the respective financial years is as follow:

	2020	2019
Total staff count	<u>44</u>	<u>30</u>

### **Depreciation of plant and equipment**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. Our depreciation expenses primarily comprised:

- (a) professional equipment, mainly our medical equipment such as dermatological laser equipment used at our clinics;
- (b) computer and office equipment at our various premises used for our operations; and
- (c) leasehold improvements in relation to the leased premises for our operations.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period. Our medical equipment and office equipment are generally depreciated over three to five years, which we considered as reasonable for the useful lives for assets of such nature. The amount remained immaterial during the years ended 31 December 2020 and 2019.

### **Depreciation of right-of-use assets**

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

## Other operating expenses

The Group's other operating expenses comprised rental and property upkeep, administrative fees, professional and consulting fees, net foreign currency exchange loss and other expenses.

The other operating expenses for the year ended 31 December 2020 increased by approximately S\$2,236,000 or 108.2% from approximately S\$2,066,000 for the year ended 31 December 2019 to approximately S\$4,302,000 for the year ended 31 December 2020.

	<b>2020</b>	2019
	<b>S\$'000</b>	S\$'000
Rental and property upkeep	17	8
Administrative fees	279	296
Professional and consulting fees	2,604	1,047
Audit fees	164	152
Net foreign currency exchange loss	454	204
Credit card & NETS charges	82	96
Government rate	78	–
Research fees	92	–
Travelling expenses	113	46
Other expenses	419	217
	<u>4,302</u>	<u>2,066</u>
<b>Other operating expenses</b>	<b><u>4,302</u></b>	<b><u>2,066</u></b>

The increase in professional and consulting fees for approximately S\$1,557,000 during the year ended 31 December 2020 was related to the professional fee payable to medical practitioners.

The increase in net foreign currency exchange loss was mainly attributable to the weakening of Hong Kong dollars against Singapore dollars.

The other expenses comprised primarily management service fee, software support, marketing expenses and other miscellaneous expenses. The increase of other expenses was mainly due to travelling expenses incurred on business trips and non-recurring marketing and advertising expenses to create market awareness for the new aesthetic clinic.

## **Finance costs**

The finance costs were attributable to interest expenses on term loan.

## **Finance costs right-of-use assets**

The finance costs were attributable to interest expense on lease liabilities under IFRS16.

## **Income tax expense**

Income tax expense was approximately S\$75,000 for the year ended 31 December 2020 and approximately S\$221,000 for the year ended 31 December 2019. The decrease was mainly attributable to the decrease in profit before taxation.

## **(Loss)/Profit for the year**

Due to the combined effect of the aforesaid factors, we recorded a loss of approximately S\$9,272,000 for the year ended 31 December 2020, representing a decrease of approximately S\$9,430,000 or 5,968% as compared with the profit of approximately S\$158,000 for the year ended 31 December 2019.

## **DIVIDENDS**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (31 December 2019: Nil).

## **CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

The capital of the Group only comprises ordinary shares.

As at 31 December 2020, the total equity of the Group was approximately S\$5,531,000 (2019: approximately S\$14,744,000). The Group generally financed its operation with internally generated cash flows. The Group had cash and cash equivalents of approximately S\$4,932,000 as at 31 December 2020 (2019: approximately S\$12,651,000). As at 31 December 2020, the Group had net current assets of approximately S\$1,254,000 (2019: approximately S\$10,614,000).

Gearing ratio of the Group as at 31 December 2020 was approximately 102.57% (31 December 2019: No gearing ratio) calculated based on total debt divided by total equity as at the end of year. As at 31 December 2020, the Group had four secured bank loan amounting to approximately S\$6,000,000.

As at 31 December 2020, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately S\$5.5 million. The share capital of the Group only comprises ordinary shares. The Shares were listed on GEM of the Stock Exchange on the listing date (the “**Listing Date**”). There has been no change in the capital structure of the Group since then.

## **SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES**

During the year ended 31 December 2020, the Group did not have any significant investment, material acquisitions nor disposal of subsidiaries and affiliated companies save for those reorganisation activities done for the purpose of Listing as set out in the paragraph headed “History, Reorganisation and Development – Reorganisation” in the Prospectus.

## **FOREIGN EXCHANGE EXPOSURE**

The Group undertakes certain operating transactions in foreign currencies, which expose the Group to foreign currency risk, mainly pertaining to the risk of fluctuations in the Hong Kong dollar against Singapore dollar.

The Group has not used any derivative contracts to hedge against its exposure to currency risk. The management manages the currency risk by closely monitoring the movement of the foreign currency rates and considers hedging against significant foreign exchange exposure should such need arise.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as disclosed above and in the Prospectus, the Group does not have other plans for material investments and capital assets.

## **CONTINGENT LIABILITIES**

As at 31 December 2020, the Group did not have material contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2020, our Group had a total of 44 employees (including part time staffs), excluding our doctors (2019: 30). Staff costs, including Directors’ remuneration, of our Group were approximately S\$3,884,000 for the year ended 31 December 2020 (2019: approximately S\$2,322,000). Remuneration is determined with reference to factors such as comparable market salaries and work performance, time commitment and responsibilities of each individual. Employees are provided with relevant inhouse and/or external training from time to time. In addition to a basic salary, year-end discretionary bonuses are offered to employees who performed outstandingly to attract and retain eligible employees to contribute to our Group.

## **CHARGES ON THE GROUP'S ASSETS**

As at 31 December 2020 and 2019, there were no charges on the Group's assets.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's business. The following are the key risks and uncertainties identified by the Group.

### **BUSINESS RISK**

The Group business is dependent on our ability to attract and retain skilled and competent professional staff. Our ability to provide our services is reliant on the services provided by these professionals. The ability to attract and retain them is dependent on several factors such as our continued reputation, financial remuneration and job satisfaction. As we engage in a service related industry, in the event that we are unable to find suitable and timely replacements should a significant number of our skilled professional staff resign, our financial position and results, business operations as well as future growth and prospects may be adversely affected. The number of doctors with necessary experience and qualifications is limited in the market and we are competing for suitable candidates with other dermatological and surgical service providers. We cannot assure that we will be able to attract and retain sufficient doctors with similar expertise, experience or network to enter into or maintain employment agreements with our Group to keep pace with our growth while maintaining consistent service quality across our clinics. Our business, financial condition and results of operations could accordingly be materially and adversely affected.

### **INDUSTRY RISK**

The dermatological services care industry is sensitive to negative media reports or allegations, which may affect consumer confidence, reputation and market perception of the industry. The industry is also subject to rapidly changing market trends and intense competition amongst other market players. This may materially and adversely affect the Group's business performance. To maintain competitiveness, our doctors seek to keep abreast the latest and most suitable treatment products and technology available.

## **REPUTATION RISK**

The Group's success depends to a significant extent on the recognition of our brand and reputation in the industry as a reliable dermatological service provider. Any litigation, claims or complaints from our customers in relation to the quality of services or products provided by our Clinics may adversely affect the reputation and image of our Group, and may in turn, materially and adversely affect the demand for our Services.

## **REGULATORY RISK**

The Group recognises the importance of compliance with regulatory requirements and the risks of non-compliance with the applicable laws and regulations. During the year ended 31 December 2020 and up to the date of this announcement, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. There was no material breach or non-compliance with the applicable laws and regulations by the Group during the period from the Listing Date to 31 December 2020 and up to the date of this announcement.

## **KEY STAKEHOLDER RISK**

The Group's clinics are currently on the panel of preferred healthcare providers of various insurance companies and medical corporations. Our business and results of business operations may be materially and adversely affected in the event that the relevant clinics are removed from such panels of preferred healthcare providers of insurance companies and medical corporations. Many of our patients rely on public insurance and healthcare schemes. If there are any changes to these schemes that affect the amount of subsidies to patients, they may then choose to go to public clinics or hospitals instead. We cannot assure that our financial condition and results of operations of our Group would not be affected as a result of any such changes to the policies and laws relating to the healthcare system.

## USE OF PROCEEDS

The Board believes that Hong Kong is better positioned geographically with higher demand of patients from the People’s Republic of China (the “**PRC**”), especially Greater Bay Area. The Board also believes that the Group would be benefited from the expansion in Hong Kong, which representing a step for possibly entering the PRC market in the future.

Therefore, the Group has made an announcement to reallocate the Unutilised Net Proceeds for the purpose of expansion of clinics outside Singapore on 5 August 2020. The reallocated use of the Unutilised Net Proceeds (the “**Change of UOP**”) as follows:

The net proceeds from the Share Offer as at 31 December 2020 were used as follows:

Intended uses of the Net Proceeds	Planned use of the Net Proceeds since the Listing as stated in the Prospectus (adjusted on a prorate basis based on the actual net proceeds)	Utilized Net Proceeds since the Listing up to 31 December 2020	Unutilized Net Proceeds since the Listing up to 31 December 2020	Notes
	HK\$ million	HK\$ million	HK\$ million	
Strategically expand and strengthen our network of clinics in Singapore	3.2	(3.2)	–	
Enhance the quality and variety of our Services at our existing Clinics and establish new medical aesthetic clinics	13.6	(13.2)	0.4	<i>b</i>
Purchase additional new devices and broaden the variety of treatments and products offered	9.6	(2.3)	7.3	<i>b</i>
Improve our information technology infrastructure and systems	2.4	(1.1)	1.3	
General working capital	2.7	(2.7)	–	
Strategically expand and strengthen our network of clinics outside Singapore	5.0	(1.8)	3.2	<i>c</i>
Strategically invest in MedTech and digital healthcare to create synergy to our current businesses	4.2	(2.3)	1.9	<i>d</i>
Development of innovative products to create a new business that have synergy with our current business	4.0	(0.9)	3.1	<i>e</i>
	<u>44.7</u>	<u>(27.5)</u>	<u>17.2</u>	

*Notes:*

- (a) The unused proceeds are deposited in a licensed bank in Hong Kong and Singapore.
- (b) The Group has successfully secured a letter of offer dated 1 February 2021 opening of new clinic at Gleneagles Medical Centre to expand more areas to widen our customer legal pool as well as establish dedicated clinics providing specialty dermatological services.
- (c) Approximately HK\$5.0 million was reallocated for exploring acquisition targets and targeting partnership opportunities to diversify our services and products offering to fulfill the medical, health, aesthetic wellness needs as well as for clinic premise's rental deposit, renovation and acquisition of medical equipment.
- (d) Approximate HK\$4.2 million was reallocated for investing in MedTech, digital healthcare, digital marketing and deployment of medical Artificial Intelligence ("AI") in both healthcare services and analysis of complex big data to create synergy on our current business.
- (e) Approximately HK\$4.0 million was reallocated to perform market research on products, skills and technology with potential for product development and formulation of our DS brand skincare products and supplements.

## **CORPORATE GOVERNANCE PRACTICES**

The Board recognises the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders and is fully committed to doing so. The board believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, achieve high standard of accountability and protect stakeholders' interests. Therefore, the Board has reviewed and will continue to review and improve the Company's corporate governance practices from time to time.

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. The Company had complied with all the applicable code provisions of the CG Code during year ended 31 December 2020.

## **COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all the Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year ended 31 December 2020.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2020.

## **COMPLIANCE OF NON-COMPETITION UNDERTAKING**

As disclosed in the Prospectus pursuant to the non-competition undertakings set out in the deed of non-competition dated 22 September 2017, each of our then controlling Shareholders, namely, Dr. Loh, Dr. Ee and Dr. Kwah (collectively referred to as the “**Controlling Shareholders**”), have undertaken to the Company (for itself and on behalf of its subsidiaries) that, amongst other things, each of them is not or will not, and will procure each of their respective close associates not to, directly or indirectly, carry on, participate in, be engaged, interested directly or indirectly, either for their own account or in conjunction with or on behalf of or for any other person in any business in competition with or similar to or is likely to be in competition with the business of the Group upon the Listing of the Company. Particulars of which are set out in the section headed “Relationship with Controlling Shareholders — Independence from Controlling Shareholders — Non-Competition Undertaking” of the Prospectus.

The independent non-executive Directors have reviewed the implementation of the deed of non-competition and are of the view that the Controlling Shareholders had complied with their undertakings given under the deed of non-competition for the year ended 31 December 2020.

## **ANNUAL GENERAL MEETING**

The third annual general meeting of the Company (the “AGM”) will be held on Tuesday, 11 May 2021. A notice of which shall be sent to the shareholders of the Company in accordance with the Articles, the GEM Listing Rules and other applicable laws and regulations.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Thursday, 6 May 2021 to Tuesday, 11 May 2021, both dates inclusive, during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 5 May 2021.

## **EVENTS AFTER THE REPORTING PERIOD**

On 22 December 2020, the Company and a placing agent entered into an agreement pursuant to which the Company conditionally agreed to place through the placing agent, on the best effort basis, of up to 120,000,000 placing shares of the Company (the “**Placing Shares**”), to not less than 6 independent third parties at a price of HK\$0.225 per Placing Share (the “**Placing**”). On 12 January 2021, the Placing completed and the Company issued and allotted the Placing Shares, and the total number of shares of the Company in issue was increased to 720,000,000. The Directors intended to use the net proceeds of approximately HK\$12 million from the Placing as general working capital of the Group. Please refer to the announcements of the Company dated 22 December 2020 and 12 January 2021 for more details.

## **AUDIT COMMITTEE**

The Group established the Audit Committee on 22 September 2017 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and code provision C.3 of the CG Code. As at the date of this announcement, the audit committee consists of three independent non-executive Directors, namely Mr. Ong Kian Guan, Mr. Cheung Kiu Cho, Vincent and Mr. Yang Zhangxi. Mr. Ong Kian Guan, our independent non-executive Director with the appropriate professional qualifications, serves as the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and review the Company's financial information.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2020, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor, Deloitte & Touche LLP.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This results announcement is available for viewing on the website of Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at <https://rmholdings.com.sg>. The annual report of the Company for the year ended 31 December 2020 containing the information required by the GEM Listing Rules and the applicable law will be dispatched to the Shareholders in due course.

By Order of the Board  
**RMH Holdings Limited**  
**Dr. Loh Teck Hiong**  
*Chairman*

Hong Kong, 25 March 2021

*As at the date of this announcement, the executive Directors are Dr. Loh Teck Hiong, Mr. Liu Yang and Dr. Seow Swee How; and the independent non-executive Directors are Mr. Ong Kian Guan, Mr. Cheung Kiu Cho, Vincent and Mr. Yang Zhangxi.*

*This announcement will remain on the "Latest Company Report" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the day of its publication. This announcement will also be published on the Company's website at <https://rmholdings.com.sg>.*