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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT AND ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

Reference is made to the annual results announcement (the “**Results Announcement**”) and the annual report (the “**Annual Report**”) of RMH Holdings Limited (the “**Company**”) both dated 25 March 2021 for the year ended 31 December 2020. Capitalised terms used in this announcement shall adopt the same meanings as defined in the Annual Report, unless the context requires otherwise.

The Board wishes to provide the Shareholders and potential investors of the Company additional information in relation to the impairment loss on the trade and other receivables and the impairment loss on investment in joint venture recognised by the Company for the year ended 31 December 2020.

IMPAIRMENT LOSS ON OTHER RECEIVABLES

As at 31 December 2020, the carrying amount of the trade and other receivables of the Company amounted to S\$3,281,000. For the year ended 31 December 2020, the Company recognised the impairment loss on trade and other receivables of S\$2,761,000, which included impairment on advances to joint venture of S\$1,994,000 and impairment loss on other receivables of S\$767,000. The impairment on other receivables represented the provision made on other receivables relating to the license fee income due from a licensee to the Company for the use of brand name and premises of the Company.

As required by IFRS 9, the Company performed impairment assessment under the expected credit loss (“**ECL**”) model and the accounting policy, key assumptions and inputs are stated in Note 4 to the consolidated financial statements in the Annual Report (the “**Consolidated Financial Statements**”) under “Impairment of financial assets”. As set out in Note 5 to the Consolidated Financial Statements in the Annual Report, during the financial year ended 31 December 2020, the Group experienced delays in recovering payments due to the Group. The management of the Company (the “**Management**”) performed the ECL model to review the recoverability of trade and other 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. The Management also performed debt collection procedure to minimise the impairment loss, which includes (i) closely monitoring the progress of repayment by following up on the overdue receivables by way of telephone call; (ii) sending statement to the licensee to remind the outstanding license fee balances status; and (iii) issue warning letter to the licensee that we are obliged to seek out legal option against the licensee and terminate the license agreement in view of the outstanding license fee. The Management then passed the impairment loss review results to the Directors for their review. The Directors further assessed the material impairment loss and discussed with the Management to understand the difficulty in collection of the other receivables and reasons of impairment.

Having considered the above, the Management is of the view that such provisions of impairment on the license fee income was in line with the relevant accounting standards.

IMPAIRMENT LOSS ON INVESTMENT IN JOINT VENTURE AND ADVANCES TO JOINT VENTURE

During the year ended 31 December 2020, the Company’s interests in joint venture represented investment in Queen’s Road Medical Company Limited (the “**JV Company**”). As at the date of this announcement, the JV Company is principally engaged in the operation of an aesthetic skin & laser centre and medical specialist center in Hong Kong (the “**Medical Centre**”) and the sales of medications. During the year ended 31 December 2020, the Company made advances to the JV Company in an aggregate amount of S\$1,994,000 for its general working capital.

Due to the outbreak of the COVID-19 in Hong Kong, social distancing measures and disease prevention measures including restrictions on public gatherings and mandatory closures of, among others, beauty parlours and aesthetics centres were imposed by the Hong Kong Government during the financial year ended 31 December 2020, which adversely affected the operating and financial results of the JV Company. In particular, beauty parlours and aesthetics centres had been subject to mandatory closure for over 120 days during 2020 since it was first implemented in April 2020. Given the time needed for renovation and the abovementioned mandatory closure policy, the Medical Centre delayed the commencement of its operation to October 2020 and November was the only calendar month during 2020 whereby the Medical Centre was in full operation. The profitability of the JV Company therefore was greatly impaired and the Medical Centre could not generate sufficient positive cash flow necessary for its daily operation (including but not limited to staff costs and rental payments). As a result of the foregoing, for the year ended 31 December 2020, the JV Company incurred losses and its current liabilities exceeded current assets by approximately S\$283,000 (equivalent to approximately HK\$1,656,000). For the year ended 31 December 2020, the JV Company had net losses S\$2,144,000 (equivalent to approximately HK\$12,058,000), thus the Company shared the 51% of losses at S\$1,093,000 (equivalent to approximately HK\$6,149,000).

In preparing its consolidated financial statements for the year ended 31 December 2020, the Company is required to perform the impairment assessment of investment in in the JV Company under IAS 36 and the expected credit loss assessment of the advances to the JV Company under IFRS9. The Company needs to consider (i) the uncertain impact of COVID-19 on the business of the JV Company and the Medical Centre in the foreseeable future, in particular, any further implementation of disease prevention measures involving mandatory closure of aesthetics centres and its potential impact on the operation results of the Medical Centre; (ii) the operating expenses of the Medical Centre (including but not limited to staff costs and rental payment) expected to be incurred before the Medical Centre could generate positive operating cash flow; and (iii) the JV Company has no other available external credit lines apart from advances from the joint venture partners. Despite of the management's optimism on the growth opportunities of the medical aesthetic industry in Hong Kong and the future prospect of the JV Company, based on the abovementioned factors and the relevant accounting standards, the recoverable amount of the investment in and advances to the JV Company are assessed to be impaired as at 31 December 2020. Hence, the Group recorded an impairment of approximately S\$1,558,000 on investment in the JV Company and approximately S\$1,994,000 on advances to joint venture.

Although the Management is still optimistic about the growth opportunities of the medical aesthetic industry in Hong Kong and the future prospect of the JV Company, it is of the view that such provisions of impairment were made in line with the relevant accounting standards.

The above additional information does not affect the financial information and other information contained in the Annual Report and the Annual Results Announcement. Save as disclosed in this announcement, the remaining contents of the Annual Report and the Annual Results Announcement remain unchanged.

By order of the Board
RMH Holdings Limited
Loh Teck Hiong
Chairman and executive Director

Hong Kong, 26 April 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 and Mr. Yang Zhangxin.

This announcement, for which the Directors 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 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.

This announcement will remain on the “Latest Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting. This announcement will also be published on the Company’s website at <https://www.rmholdings.com.sg>.