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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)

**(1) RESULTS OF INTERNAL CONTROL REVIEW;
(2) RESULTS OF INTERNAL CONTROL REMEDIATION
FOLLOW UP REVIEW;
(3) KEY FINDINGS OF INDEPENDENT REVIEW REPORT; AND
(4) CONTINUED SUSPENSION OF TRADING**

This announcement is made by RMH Holdings Limited (the “**Company**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited and the Inside Information Provisions (as defined in the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company (the “**Announcements**”) dated (i) 28 April 2023 in relation to the resumption guidance; (ii) 12 May 2023 in relation to delay in publication of the 2023 First Quarterly Results and delay in despatch of the 2023 First Quarterly Report; (iii) 25 May 2023, 21 November 2023 and 4 January 2024 in relation to the additional resumption guidance; (iv) 2 July 2023, 5 October 2023, 5 January 2024 and 9 April 2024 in relation to the quarterly update on status of resumption; (v) 11 August 2023 in relation to, the delay in publication of the 2023 Interim Results and delay in despatch of the 2023 Interim Report; (vi) 14 November 2023 in relation to delay in publication of the 2023 Third Quarterly Results and delay in despatch of the 2023 Third Quarterly Report; (vii) 22 March 2024 in relation to the 2023 First Quarterly Results, 2023 Interim Results and 2023 Third Quarterly Results; and (viii) 30 April 2024 in relation to the 2023 First Quarterly Report, 2023 Interim Report; 2023 Third Quarterly Report and 2023 Annual Report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”). Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

RESULTS OF INTERNAL CONTROL REVIEW AND INTERNAL CONTROL REMEDIATION FOLLOW UP REPORT

As disclosed in the Announcements, the Company has engaged Pan-China Enterprise Risk Management Consulting Limited as internal control consultant (the “**Internal Control Consultant**”) to conduct an independent internal control review with the following scope:

- (a) Review of the Group’s internal controls
- (b) Test of control
- (c) Follow up

The review of the Group’s internal controls covered the following areas:

- 1. Entity level controls
- 2. Business process level controls
 - 2.1 Revenue and Accounts Receivable
 - 2.2 Procurement and Accounts Payable
 - 2.3 Inventory Management
 - 2.4 Cash, Treasury and Borrowings
 - 2.5 Human Resources
 - 2.6 Financial Reporting and Disclosure
 - 2.7 Fixed Assets
 - 2.8 Taxation
 - 2.9 Information Technology General Controls

The Internal Control Consultant has conducted first stage of internal control review to perform walkthrough between 26 January 2024 to 1 March 2024, second stage of internal review to conduct test of control between 1 March 2024 to 28 March 2024 and final stage of follow up review between 28 March 2024 to 30 April 2024.

The key findings and remediation status of the internal control review report are summarized as follows:

Key findings	Recommendations	Remediation Status
1) Absence of job responsibilities and authority matrix to govern the review and approval of transactions	<p>Management should:</p> <ul style="list-style-type: none"> • Establish a formal authority matrix with threshold amount against each category of transactions and defined approval requirements; and • Periodically review the appropriateness of the authority matrix and assess if change is required. 	Remediation completed
2) Absence of policy related to key management and supervisory personnel departure	<p>Management should establish procedure for evaluating the departure of key management and supervisory personnel, which includes:</p> <ul style="list-style-type: none"> • Define the key positions of which departure will have significant impact on operations; • Establish a mechanism (or panel) to assess the impact of such departure and identify actions/backup plans to be taken (if any); and • Establish an exit interview mechanism and regularly analyze the reasons of employees' resignation for future reference. 	Remediation completed

Key findings	Recommendations	Remediation Status
3) Lack of reporting mechanism to inform the Board of Directors of significant issues	<p>Management should establish a formal reporting mechanism to communicate significant issues to the Company's Board of Directors. The proposed reporting mechanism is suggested to cover the following aspects:</p> <ul style="list-style-type: none"> • Develop a policy outlining expectations, procedures and reporting frequency for significant issues to be communicated to the Board; • Determine reporting frequency based on the urgency and complexity of the issues; • Specify the criteria for defining significant issues that require reporting to the Board. These may include financial matters, strategic decision, legal or regulatory compliance issues, operational challenges and major risks; • Create reporting templates that outline the required sections and information for the report; • Provide clear instruction to the reporting entities regarding the level of details, key metrics and analysis required for the reporting; • Establish procedures for handling urgent or critical issues that may arise between reporting cycles; and • Regularly review the reporting mechanism and actively seek feedback from board members to identify areas of improvement and address any concerns regarding the reporting process. 	Remediation completed
4) No formal training provided to directors and company secretary	<p>The management should</p> <ul style="list-style-type: none"> • Organise all of its directors and company secretary to attend a comprehensive, formal and tailored-made training on a regular basis (at least annually); and • Retain documentary evidence of such trainings. 	Remediation completed

Key findings	Recommendations	Remediation Status
5) Directors' and officers' liability insurance has not been arranged after expiration	The management should ensure timely renewal of Directors and Officers Liability Insurance following the expiration of the existing policy, as specified in C.1.8 in Appendix C1 of the GEM Listing Rule. This insurance coverage safeguards the Company's directors and officers against potential legal claims.	Remediation completed
6) Policies and procedures not formally finalized and approved	The management should: <ul style="list-style-type: none"> Finalise and obtain written approval from the Board for the policies and procedures; and Establish an effective communication channel to ensure proper dissemination of the policies and procedures to all directors, management and relevant personnel. 	Remediation completed
7) Lack of independent internal audit function [#]	The management should establish its own independent internal audit function or outsource the function to an independent qualified service provider to perform an ongoing review, in frequency of not less than 2 times a year.	Remediation in progress Management of the Company has committed to establishing the internal audit function by means of outsourcing to external services provider. This function will conduct ongoing reviews, with a minimum frequency of twice a year. As advised by the management, the Company has obtained three quotations from external service providers and is currently in the process of evaluating the potential providers.

Key findings	Recommendations	Remediation Status
8) Compliance management mechanism yet to be strengthened	<p>The management should establish procedure for monitoring the compliance with laws and regulation, which includes:</p> <ul style="list-style-type: none"> • Circulate the compliance checklists regarding listing rules and other applicable Hong Kong laws and regulations in its operations; • Formulate a set of written policies, systems and procedures for responding to change in laws and regulation; and • Periodically update the checklists so as to reflect the latest laws and regulations for awareness of update to responsible departments. 	Remediation completed
9) Control mechanism over the connected persons and related parties yet to be strengthened	<p>The management should:</p> <ul style="list-style-type: none"> • properly define the authority and responsibility of different departments within the Company and its subsidiaries in identification and approval process of related transactions; • timely update the list of related parties and connected person and circulate to all directors, shareholders and senior management on a regular basis; and • include the requirement of collecting information on related parties and connected persons on a regular basis. 	Remediation completed
10) No formal risk registers to supervise and manage the risks of the Group	<p>The management should establish a risk register to assess the significant risk factors, encompassing business risk, operational risk, financial risk, compliance risk, and environmental and climate-related risks. Once the preliminary risk assessment is concluded, formulate a risk mitigation plan for significant risk events, follow up the implementation of risk mitigation measures in a timely manner, and list the relevant results in the Group's risk assessment summary form or risk management report.</p>	Remediation completed

Key findings	Recommendations	Remediation Status
11) Conflict of interest reporting mechanism yet to be strengthened	<p>The management should:</p> <ul style="list-style-type: none"> Enhance its conflict of interest declaration system by clearly defining situation which may give rise to conflict of interests, and introducing a time limit and procedures for seeking consultation and reporting the conflict of interest; Include requirement for all employees, including directors and senior management of the Group, to submit annual written self-declaration regarding any potential conflict of interest; and Provide training sessions on conflict of interest management to all employees. 	Remediation completed
12) Customer selection and maintenance can be enhanced	<p>Management should establish formalized policies and procedures to govern customer selection and maintenance process, including a mechanism for customers evaluation. The mechanism for customers evaluation shall cover the various areas, such as defining explicit and documented customer selection criteria, designating particular individuals or roles within the organization with the responsibility to authorize customer selections, identifying the essential factors or criteria for customer evaluation, and conducting regular monitoring and reviews of the customer selection process to detect any deviations or anomalies.</p>	Remediation completed
13) Price setting and approval processes can be enhanced	<p>Management should:</p> <ul style="list-style-type: none"> Establish formalized policies and procedures to govern price setting and approval process, including a mechanism to review and approve price; and Retain price setting and approval documentation. 	Remediation completed
14) The mechanism for monitoring overdue of accounts receivable can be enhanced	<p>Management should establish formalized policies and procedures to govern accounts receivable monitor process, including a mechanism to monitor the payment status of accounts receivable and follow up procedures for overdue accounts receivable.</p>	Remediation completed
15) Absence of written evidence of review over accounts receivable aging report	<p>It is recommended that accounts receivable aging report should be prepared and signed off by the designated authorized personnel as written evidence of review.</p>	Remediation completed

Key findings	Recommendations	Remediation Status
16) Absence of written evidence of approval over impairment of trade receivables	It is recommended that impairment assessment should be prepared and signed off by the designated authorized personnel as written evidence of review.	Remediated with no sample*
17) Lack of supplier selection and evaluation mechanism	The management should: <ul style="list-style-type: none"> • Establish supplier selection and periodic evaluation mechanism for both potential new suppliers and existing suppliers; and • Retain written review evidence on supplier selection and quotation evaluation. 	Remediation completed
18) Control mechanism over monitoring purchase deposits yet to be strengthened	The management should: <ul style="list-style-type: none"> • Establish purchase deposit monitoring mechanism to monitor the delivery status of the goods and timely follow up with any foreseeable delays; and • Circulate the deposit monitoring mechanism to all the relevant staff involved and review and update the mechanism regularly to meet the operational requirement of the Business Units. 	Remediation completed
19) Absence of written evidence of review over accounts payable aging report	It is recommended that accounts payable aging report should be prepared and signed off by the designated authorized personnel as written evidence of review.	Remediated with no sample*

Key findings	Recommendations	Remediation Status
20) Policy related to inventory management is not established	<p>Management should establish a policy to govern the inventory management activities, covering at the least the following areas:</p> <ul style="list-style-type: none"> • Good acceptance and receipt records • Inventory movement management (receive, transfer, dispatch) • Inventory system evaluation • Inventory taking and reconciliation • Inventory costing • Inventory aging analysis, valuation and scrap disposal (including impairment assessment) • Handling of scrap and aged goods (including goods write-off, approval, and disposal processes) • Physical security control (including inventory physical custody and warehouse safety management) • Managing inventory information and inventory record maintenance • Segregation of duties over inventory management process 	Remediation completed
21) Absence of written evidence of inventory count	Management should conduct inventory counts on a regular basis with proper retention of inventory count records.	Remediated with no sample*
22) Policies regarding company stamp, seal, chop (collectively referred to “ Company Seal ”) are not established	The management should establish the Company Seal management policy to govern the use of the Company Seal and fully record the use of all relevant Company Seal.	Remediation completed

Key findings	Recommendations	Remediation Status
23) Policies regarding human resources can be enhanced	<p>Management should:</p> <ul style="list-style-type: none"> • Review the existing policies and guidelines and align them with current practice; and • Establish a policy to govern the human resources management activities by defining: <ul style="list-style-type: none"> • requirement of exit interview; • calculating and processing of payroll; • managing payroll records; • performance evaluation process; • employee bonus determination metric and approval process; and • mechanism on monitoring the compliance with applicable labor laws and regulations 	Remediation completed
24) Employee performance evaluation is not conducted	<p>The management should:</p> <ul style="list-style-type: none"> • Establish a performance evaluation form to formally document the rating and comments for employees' performance; and • Conduct annual performance evaluation in accordance with the Staff Handbook. 	Remediation completed
25) Employment contract terms can be enhanced	The management should review current employment contract template to include adequate contract terms or create an acknowledgement form on the rules set by the company for staff to sign on.	Remediation completed
26) Absence of written evidence of review over quarterly management accounts [#]	It is recommended that quarterly management accounts at company level and the consolidated management account at Group level should be properly prepared and signed off or initialed by the designated authorized personnel as written evidence of approval.	<p>Remediation in progress.</p> <p>As advised by the management of the Company, the account departments of the group companies are currently in the process of updating the quarterly management accounts at the company level. The management has committed to provide the designated authorized personnel with the quarterly management accounts at company level as well as the consolidated management account at Group level, for review. Furthermore, they will retain the review written evidence.</p>

<u>Key findings</u>	<u>Recommendations</u>	<u>Remediation Status</u>
27) Absence of cash flow forecast	The management should: <ul style="list-style-type: none"> • Prepare and review cash flow forecast timely to ensure there is sufficient cash flow to support the daily business operation; and • Assign personnel to check on unauthorized bank transaction on bank statement which is different from the cash flow forecast and report to the Company’s senior management timely. 	Remediation completed
28) Quotations are not retained for fixed assets acquisition	Management should retain a minimum of three quotations for the acquired fixed asset as required in the Internal Control Manual to prove that the newly acquired fixed asset was chosen at a reasonable price after comparing between independent quotations obtained.	Remediated with no sample*
29) Absence of written evidence of physical inspection on fixed assets	Management should conduct fixed assets counts on a regular basis as required by the Internal Control Manual with proper retention of fixed asset count records.	Remediated with no sample*

* *Remediated with no sample represented that the internal control finding has been remediated; related policies and procedures have been established but no sample of transaction is available for testing as no related business transactions had taken place up to 30 April 2024.*

As of the date of this announcement, the internal control finding has been remediated.

Furthermore, the Company has also engaged Pan-China Enterprise Risk Management Consulting Limited to follow up the remediation status of the internal control findings previously identified by GRC Chamber Limited in “Independent Internal Control Review Report – Phase 1” (“**Phase One Report**”) dated 17 March 2023 for the Company.

The remediation status of the findings in Phase One Report as of 30 April 2024 are summarized as follows:

Key findings	Recommendations	Remediation Status
Significant deficiencies identified		
1) Rebuilding of updated and well-circulated governance policies	<p>The management should re-establish a set of governance policies in accordance with the latest compliance and risk management standards, covering at least the following areas:</p> <ul style="list-style-type: none"> • Terms of reference for Audit Committee, Nomination Committee and Remuneration Committee • Nomination Policy • Board Diversity Policy • Insider Information Policy • Communication Policy • Whistleblowing Policy • Related Party and Connected Party Policy • Corporate Governance Code • Code of Conduct 	Remediation completed
2) Implementation of matters reserved to the Board	<p>The management should develop:</p> <ul style="list-style-type: none"> • a formal policy regulating specific qualitative and quantitative matters that shall be reserved to the Board; • a specific set of procedure for members of the Board to execute in situation their requests are fairly ignored by the Board. 	Remediation completed
3) Inserting additional compliance elements into the Board and oversight committees	<p>The management should:</p> <ul style="list-style-type: none"> • provide quality training on the operation of the Company and key listing rules; • easily and directly access to external professional (e.g engagement of legal retainer) from which they can seek for additional assistance by themselves or through the Company Secretary. 	Remediation completed

Key findings	Recommendations	Remediation Status
4) Review of the suitability and accountability of senior management at subsidiaries level or for specific function	The Board should review and assess the suitability and accountability of senior management at subsidiaries level or within specific functions on a regular basis (at least annually).	Remediation completed
5) Proper endorsement and record-keeping of meeting records of the Board and oversight committees	The Board or oversight committee should adopt a practice of having all attendee to sign on the minutes of meetings within a reasonable timeframe.	Remediation completed
6) Revision of articles of association in relation to shareholders protection	The management should update articles of association in accordance with the relevant rules and regulation.	Remediation in progress The management anticipated that proposed amendments to the articles of association will be completed in June 2024, subject to the approval of the shareholders of the Company through a special resolution at the forth coming annual general meeting of the Company, scheduled for June 2024.
7) Board assessment of business plan, model and forecast (collectively as “ Business Plan ”) of remaining or new business	The management should develop a Business Plan timely to clearly define the Group’s short-term and long-term objectives.	Remediation completed
8) Board assessment of the disposition of investment portfolio	The management should perform assessment over the overall investment direction of the remaining securities and the settlement of the related margin balance.	Remediated with no sample*

Key findings	Recommendations	Remediation Status
9) Board assessment of the disposition of subsidiary under juridical management	The management should perform assessment over the disposition of Dermatology & Surgery Clinic (Orchard) Pte Ltd.	<p data-bbox="1070 221 1310 248">Remediation in progress</p> <p data-bbox="1070 277 1445 613">As represented by the directors of the Company, the management of the Company conducted periodic meetings to discuss the matters pertaining to Dermatology & Surgery Clinic (Orchard) Pte Ltd. These meetings aimed to closely monitor the progress of issues related to the Singapore subsidiaries under juridical management.</p> <p data-bbox="1070 642 1445 1019">Furthermore, advised by the management of the Company, updates regarding the progress of issues related to the Singapore subsidiaries under judicial management are incorporated into the monthly reporting system. With effect from 18 April 2024, it is mandatory for the company secretary to provide regular updates on these matters during the Company's monthly Board meetings.</p>

Key findings	Recommendations	Remediation Status
10) Adoption of monthly management reporting system (as internal communication)	<p data-bbox="600 212 847 241">The management should:</p> <p data-bbox="600 264 751 293">Regular issues</p> <ul data-bbox="600 315 1050 618" style="list-style-type: none"> <li data-bbox="600 315 1050 618">• adopt a monthly management reporting system and provide clear instruction to relevant management personnel to prepare and provide relevant and sufficient information to all members of the Board on a monthly basis (or no later than 60 days in case of contingency), with reference to the principles set out in code D1.1 and D1.2 of Corporate Governance Code. <p data-bbox="600 640 932 669">Urgent issues and other matters</p> <ul data-bbox="600 692 1050 808" style="list-style-type: none"> <li data-bbox="600 692 1050 808">• establish a reporting mechanism for urgent issues and other matters that require more frequent reporting (such as daily reporting). <p data-bbox="675 831 1050 911">The proposed reporting mechanism is suggested to cover the following aspects:</p> <ul data-bbox="675 934 1050 1993" style="list-style-type: none"> <li data-bbox="675 934 1050 1104">■ develop a policy outlining expectations and procedures for handling urgent issues or critical issues that may arise between the regular monthly reporting cycles; <li data-bbox="675 1126 1050 1207">■ determine reporting frequency based on the urgency and complexity of the issues; <li data-bbox="675 1229 1050 1453">■ define the criteria for identifying urgent issues and other issues that necessitate more frequent reporting, such as financial matters, strategic decision, legal or regulatory compliance issues, operational challenges and major risks; <li data-bbox="675 1476 1050 1615">■ create standardized reporting templates that clearly outline the required sections and information to be included the report; <li data-bbox="675 1637 1050 1776">■ provide clear instruction to the reporting entities regarding the level of details, key metrics and analysis required for the reporting; <li data-bbox="675 1798 1050 1993">■ regularly review the reporting mechanism and actively seek feedback from the relevant management to identify areas of improvement and address any concerns regarding the reporting process. 	Remediation completed

Key findings	Recommendations	Remediation Status
11) Obtaining professional advice on possible delayed or corrective disclosure (as external communication)	<p>The management should:</p> <ul style="list-style-type: none"> • obtain further professional advise as to further clarify the nature and impact of the matters; • take appropriate actions, including making relevant disclosures, as deemed appropriate; • establish a compliance manual that outlines the policies, procedures and guidelines to ensure adherence to regulatory requirements; and • establish robust process and procedures governing connected persons and related parties, covering at least the following aspects: <ul style="list-style-type: none"> – identification and declaration of connected parties and connected party transactions – establishment and update of connected parties list and connected party transactions checklists – approval, reporting and monitoring of connected party transactions – disclosures of connected party transactions 	<p>Remediation in progress</p> <p>After obtaining the professional advice from a financial adviser, the Company is committed to take appropriate actions in the following matters:</p> <ul style="list-style-type: none"> • In respect of the securities investment of over HK\$10 million, the Company will treat such investments as disclosable transactions based on the size test. An announcement will be issued in May 2024. • In respect of delayed in receiving subscription consideration for the right issue, the Company will provide a clarification announcement in May 2024. • In respect of the identified classification error in the Condensed Consolidated Statement of Cash Flows in the 2022 interim report, the management affirms that a clarification announcement addressing this matter will be issued in May 2024. <p>The draft announcement is currently undergoing review by professional parties and the Company's board of directors. The announcement is expected to be released in May 2024.</p>
12) Additional segregation of duties for payment system	<p>The management should:</p> <ul style="list-style-type: none"> • identify bank account with larger balance or special purpose (receipt of right issue proceeds) and • instruct a dual signer right by two or more directors or management of similar position and capacity. 	Remediation completed

Key findings	Recommendations	Remediation Status
13) Budgeting for fund allocation within the Group	<p>The management should:</p> <ul style="list-style-type: none"> • establish a policy governing the planning or budgeting of fund allocation within the Group. This policy should include guidelines for conducting variance analysis, comparing the actual fund allocation to the budgeted fund allocation and establishing the procedures for approving fund transfers among the group companies • retain review evidence on fund allocation within the Group 	Remediation completed
14) Detail planning of use of proceeds	<p>The management should:</p> <ul style="list-style-type: none"> • develop detailed plan for large funds inflow on a timely basis • establish review and approval mechanism (including retention of review evidence) to follow up the actual usage of proceeds 	Remediated with no sample*
15) Regular performance review of investment manager (investment activities)	<p>Management should establish a mechanism to review the performance of investment manager.</p>	Remediated with no sample*
16) Enhanced risk management over customer profile and relevant credit risk (trading sales)	<p>The management should:</p> <ul style="list-style-type: none"> • establish formalized policies and procedures to govern customer evaluation; • set out risk management measures, such as trading limit for customer in accordance with their profile and in balance with business development; • monitor the trends of trade receivables and report to the Board regularly. 	Remediation completed

Key findings	Recommendations	Remediation Status
17) Enhanced risk management over purchase deposit and deliverable progress	<p>The management should:</p> <ul style="list-style-type: none"> • establish formalized policies and procedures to govern supplier evaluation; • set out risk management measures, such as trading limit for suppliers in accordance with their profile and in balance with business development; • monitor the trends of purchase deposits, utilization rate and report to the Board regularly; and • establish a mechanism to follow up the undelivered services/goods. 	Remediation completed
18) Implementation of effective identification procedures for notifiable transaction	<p>The management should:</p> <ul style="list-style-type: none"> • set out a materiality level over which additional or second review or clearance of contract or transaction shall be conducted • set out a materiality level over which a transaction must be included as a material item in the reporting systems for regular matters, urgent and other matters 	Remediation completed
19) Developing control list for connected transaction management	<p>The management should</p> <ul style="list-style-type: none"> • set out a materiality level over which additional or second review or clearance of contract or transaction shall be conducted; • set out a policy requiring connected persons, except for those shareholders beyond its reach, to report and disclosure their interest (together with their associates) in other entities; and • establish a monitoring mechanism to track each transaction, enabling identification of undelivered services or goods as well as facilitating appropriate follow-up actions. 	Remediation completed

Key findings	Recommendations	Remediation Status
20) Developing anti-fraud policy and implementing whistle blowing system	<p>The management should:</p> <ul style="list-style-type: none"> • establish anti-fraud (inclusive of corruption) policy; • provide training related to anti-fraud policy and whistle-blowing system; and • establish an uninterrupted channel of reporting, as whistle blowing system, that can be easily accessible by stakeholders 	Remediation completed
21) Continuous monitoring over the development of compliance and operational concerns over liquidated business	<p>The management should:</p> <ul style="list-style-type: none"> • investigate or clarify the validity of the identified concerns; • review and monitor the development of compliance and operational concerns over liquidated business; • assess the impact of compliance and operational concerns over liquidated business; • take appropriate actions, such as consideration of claims, to minimize the loss, given they are held valid. 	Remediation completed
22) Continuous monitoring of validity of corporate guarantees	The management should investigate corporate guarantees and assess the validity of corporate guarantees.	Remediation completed

Key findings	Recommendations	Remediation Status
23) Continuous monitoring the development of a material payable caused by a past transaction	<p>The management should:</p> <ul style="list-style-type: none"> • revisit the original intention of the transaction as to clarify the ownership of acquired asset among the involved subsidiaries; • revisit the validity of the third-party payment as to clarify the ownership of the related payable amount among the involved subsidiaries; • understand why the fund transferred by a Singapore subsidiary to a third party was greater than the contract value as stated in the relevant an asset acquisition agreement and follow up the excessive payment made by a Singapore subsidiary to a third party (given the excessive payment made by a Singapore subsidiary is valid); • negotiate with the juridical manager on a justified ground at its best effort; • follow up and monitor the status of undelivered machinery or the agreed refund of HK\$4.75 million from the related vendor. 	<p>Remediation in progress</p> <p>The Company has engaged Pan-China Enterprise Risk Management Consulting Limited to assist the management to gather additional information about asset acquisition.</p> <p>Details of the transactions (including the original intention of the transaction, ownership of acquired assets, excessive payment made by a Singapore subsidiary to a third party) are set out in the Independent Review Report.</p> <p>In respect of the agreed refund of HK\$4.75 million, the management is considering to take legal action against the vendor.</p> <p>On 25 April 2024, DS Regenerative Medicine Limited, a subsidiary of the Company, sent a demand letter to vendor. The letter requests the vendor to repay the outstanding balance of HK\$4,274,215 within 30 days from the date of the letter. Failure to comply with this request will result in DS Regenerative Medicine Limited initiating legal proceedings against the vendor.</p> <p>As advised by the management, in the event that attempts at communication and contractual remedies with the vendor are unsuccessful, the management will initiate legal action against the vendor. Additionally, they have committed to closely monitor the progress of repayment from the vendor.</p> <p>In order to prevent similar case in the future, the management is suggested to consider various measures, details of which are set out in the Independent Review Report.</p> <p>The management agreed to implement the recommendation with immediate effect.</p>

Key findings	Recommendations	Remediation Status
Deficiencies and minor weakness identified		
24) Board Evaluation	The management should review the structure, size, composition (including the skills, knowledge and experience) and balance of the Board at least annually.	Remediation completed
25) Review of Financial Reporting Function	Audit Committee should perform a thorough review of the sufficiency of quality resource of the financial reporting function of the Group on a regular basis.	Remediation completed
26) Separation of the role of Chairman and CEO	The management should review and assess if the current practice is aligned with policies and guidelines as set out in the “Compliance Manual”.	Remediation completed
27) Majority of independent director in Nomination Committee	The management should perform review the composition of Nomination Committee on a regular basis.	Remediation completed
28) Quality of Audit Committee	The management should: <ul style="list-style-type: none"> • perform assessment over the quality of directors before appointment of Audit Committee; • perform periodic assessment over the quality of Audit Committee in accordance with the requirement set out in GEM Listing rules. 	Remediation completed
29) On-going Internal Audit [#]	The management could consider hiring a full-time internal audit staff or appointing professional firm to perform an on-going review, in frequency of not less than 2 times a year.	Remediation in progress Management of the Company has committed to establishing the internal audit function by means of outsourcing to external services provider. This function will conduct ongoing reviews, with a minimum frequency of twice a year. As advised by the management, the Company has obtained three quotations from external service providers and is currently in the process of evaluating the potential providers.

* *Remediated with no sample represented that the internal control finding has been remediated; related policies and procedures have been established but no sample of transaction is available for testing as no related business transactions had taken place up to 30 April 2024.*

[#] *As of the date of this announcement, the internal control finding has been remediated.*

The Board and the audit committee of the Board (the “**Audit Committee**”) have reviewed and considered the internal control review report and the internal control remediation follow-up report. The Board and the Audit Committee are of the view that the internal control deficiencies have been addressed and the Company possesses adequate internal control systems, given that (i) new internal control policies have been put in place by the Company with effect from 30 April 2024; and (ii) for the remaining remediation in progress, the Company is actively following up on the implementation of the remediation, which are expected to be completed on or before end of June 2024.

KEY FINDINGS OF INDEPENDENT REVIEW REPORT

In addition, the Company has also engaged Pan-China Enterprise Risk Management Consulting Limited as the investigation consultant to conduct an independent investigation into the issues of the (1) corporate guarantees and (2) a covenanter page of the deed of the undertaking.

Corporate Guarantees

With respect to the corporate guarantees, the key findings of the investigation are (i) there were two minutes pertaining to authorising and instructing Dr. Loh Teck Hiong (“**Dr. Loh**”) to sign the corporate guarantees on 17 April 2020. However, these minutes did not include the specific information about the meetings, such as the entities intended to be covered by the guarantees, the loan(s) intended to be covered by the guarantees, the intended use of loan proceeds, and so on; (ii) in relation to the banking facility letters issued by DBS Bank Limited, extracts of resolutions passed by the Board dated 30 April 2020 were certified by both Dr. Loh and Dr Melvin Ee Hock Leong (“**Dr. Ee**”); (iii) in relation to the banking facility letters from United Overseas Bank Limited, extracts of resolutions passed by the Board on 20 August 2020 were certified by Dr. Loh and another director of Dermatology & Surgery Clinic (Orchard) Pte Ltd (“**DSC Orchard**”) and the Company, Seow Swee How.

The investigation consultant has been advised by Dr. Loh that the corporate guarantees of the Company have been approved by Dr. Loh, Dr Ee and Dr. Raymond Kwah Yuen Chien (“**Dr. Kwah**”), the intended use of loan proceeds was for working capital of a Singapore subsidiary.

However, given that these transactions took place several years ago, Dr. Loh could not recall all the details of the meetings, such as whether emails were sent to other directors to inform them about the corporate guarantees. As of the date of the investigation report, the investigation consultant had not obtained representation from Dr. Ee and Dr. Kwah. In respect of any other corporate guarantee provided by the Company, the investigation consultant had obtained the written confirmation from Dr. Loh, which contained the following details:

Except for the corporate guarantees mentioned below, Dr. Loh has confirmed that (i) there have been no other corporate guarantees signed by Dr. Loh on behalf of the Company; and (ii) throughout his tenure as a director of the Company, until the point at which he ceased to hold the directorship, other than the corporate guarantees mentioned below, he was not aware of any other corporate guarantees provided by the Company which have come to his attention:

- (i) the corporate guarantees provided by the Company for the banking facilities (the “**Facilities**”) granted by DBS Bank Limited (“**DBS Bank**”) and United Overseas Bank Limited (“**UOB Bank**”) to DSC Orchard in April 2020 and August 2020, respectively; and

- (ii) the rental agreement dated 7 May 2020, entered into between Health Link Investment Limited (as the landlord) and RMH (Hong Kong) Holdings Limited (“**RMH HK**”) (as the tenant), pertaining to the premises located at 25th Floor, Harbourside HQ, No.8 Lam Chak Street, Kowloon, Hong Kong.

In addition, after reviewing the minutes provided by the Company and conducting inquiries with Mr. Lee Chung Shun (“**Mr. Lee**”) (chief financial officer and the director of the Company), Mr. Man, Guy Yun Wah (“**Mr. Guy**”) (company secretary of the Company) and Peter Lee (director of CL Partners CPA Limited, external auditor of the Company), the investigation consultant has outlined the main observations regarding the corporate guarantees of the Company and its subsidiaries as follows:

- Other than the corporate guarantees provided by the Company for (i) the banking facilities granted by DBS Bank and UOB Bank to DSC Orchard in April 2020 and August 2020 and (ii) the rental agreement entered into between Health Link Investment Limited (as the landlord) and RMH HK (as the tenant), for the premises located at 25th Floor, Harbourside HQ, No.8 Lam Chak Street, Kowloon, Hong Kong, no other corporate guarantees of the Company and its subsidiaries were identified by chief financial officer, company secretary and external auditor of the Company.

The investigation consultant has been advised by Dr. Loh, the management team in Hong Kong carried out inspection of assets of Medisun Holdings Limited (“**Medisun**”) as part of due diligence procedures. However, during the course of the investigation consultant’s review, the Group was unable to provide the documents pertaining to due diligence.

Upon reviewing the provided copies of relevant documentation from the Company, it is observed that the bank loan proceeds were obtained by DSC Orchard after transferring the funds of HK\$17,190,000 to the designated recipient of Medisun. However, it remains uncertain whether there was any direct association between loan proceeds from DBS Bank and UOB Bank and the assets acquired under the agreement 《資產購買及寫字樓轉租協議》.

Furthermore, during examination of the investigation consultant, it has come to attention of the investigation consultant that the payment to Medisun was made before the assets were actually delivered to the Group. This departure from the standard business practice raises concerns. Typically, progress payments are linked to the actual advancement in asset delivery, a safeguard implemented to protect the Group’s interests.

Additionally, the inspection of the investigation consultant revealed that the assets acquired under the same agreement were not delivered to the Group as initially agreed upon. As a result, the Group and Medisun subsequently entered into an agreement for a refund of undelivered assets. Despite Medisun making the initial payment in March 2020, they have failed to fulfil their payment obligations as outlined in the agreement 《短缺設備差價返還協議》.

On 25 April 2024, DS Regenerative Medicine Limited, a subsidiary of the Company, sent a demand letter to Medisun. The letter requests Medisun to repay the outstanding balance of HK\$4,274,215 within 30 days from the date of the letter. Failure to comply with this request will result in DS Regenerative Medicine Limited initiating legal proceedings against Medisun.

Considering the aforementioned factors, it appears that the Group has not closely monitored the progress of payment made by Medisun.

A Covenanter Page of the Deed of Undertakings

Regarding the signed covenanter page of the deed of the undertaking (the “**Deed of Undertaking**”) in relation to the proposed joint venture disposal in July 2022, the individuals involved in the incident made the following statements:

Dr. Loh’s representation

Dr. Loh has not affixed his signature on the covenanter page of the Deed of Undertaking.

Ms. Ang Shally’s representation

Ms. Ang Shally (“**Ms. Shally**”) was not involved in the process of this disposal transaction, and she was not aware of being invited to witness Dr. Loh’s signature on the Deed of Undertaking. As a result, she did not sign the covenanter page of the Deed of Undertaking as a witness.

Mr. He Weiqing’s representation

Mr. He Weiqing (“**Mr. He**”) had no knowledge of who placed the covenanter page of the Deed of Undertaking, which was signed by Dr. Loh and Ms. Shally as witness, on his desk. He believed the document to be a true copy and instructed Hugo Ho to send it to the independent financial advisor and the company lawyer.

Mr. Ho Hugo Yuk Ming’s representation

Mr. Ho Hugo Yuk Ming (“**Hugo Ho**”) followed Mr. He’s instructions and sent the document to the independent financial advisor and the company lawyer.

After reviewing the copies of the relevant documentation provided by the Company and conducting the inquiries with Dr. Loh, Mr. He, Hugo Ho and Ms. Shally, it remains unclear who placed the covenanter page of the Deed of Undertaking, which bears the name of Dr. Loh and the name of Ms. Shally as witness.

Based on the investigation consultant’s inspection of relevant documentation provided by Dr. Loh and inquiry with Dr. Loh, the investigation consultant has summarized significant observation regarding the progress of the investigation by the Hong Kong Police as follows:

- The incident was reported to e-Report Centre of Hong Kong Police Force on 19 August 2022.
- Dr. Loh received interview invitations from the Hong Kong Police through emails.

- Dr. Loh intended to attend the interview with the Hong Kong Police on the day following the extraordinary general meeting of the Company which was 15 April 2023. However, due to unforeseen circumstance, Dr. Loh was unable to attend the interview with the Hong Kong Police, and there was no follow-up from the Hong Kong Police regarding the incident. Subsequently, Dr. Loh did not receive any further information from the Hong Kong Police.

Despite the investigation findings may not be adequate due to the transactions (i) took place several years ago; and (ii) was conducted by the previous management of the Company and all of which are no longer remain in the current new management of the Company, the Company would like to submit that, in addition to the corporate guarantees, the Facilities are secured by personal guarantees provided by Dr. Loh and Dr. Loh has agreed to settle the Facilities by his own personal resources and he agrees not to claim or take any action against the Group for recourse, conditional upon (i) a successful resumption of trading of the shares of the Company on GEM; (ii) issue and allotment of new shares of the Company as consideration, amounting to no less than 10% of the total issued share capital of the Company; and (iii) right to nominate a Director and as such the Company will not have any further liability or obligation whatsoever under the Corporate Guarantees.

Given that (i) the Facilities are secured by both the Corporate Guarantees and the personal guarantee given by Dr. Loh; (ii) Dr. Loh is settling the Facilities with his own personal resources and since then, DBS and UOB have not sought the Group for repayment of the Facilities; and (iii) Dr. Loh, if settling the Facilities by satisfying his obligations under the personal guarantee, could be entitled to claim or take action against the Group for possible recourse; upon fulfillment of the conditions imposed on the Company by Dr. Loh, Dr. Loh agrees to waive his right to claim against the Group for possible recourse, the Company has the flexibility to consider whether to accept the conditions imposed and offered by Dr. Loh and will fulfill the conditions if it is fair and reasonable and in the interest of the Company and the shareholders as a whole. Alternatively, if the Company considers it is not in the best interest of the Company and the shareholders as a whole to fulfill the conditions, the Company will further negotiate with Dr. Loh for settlement of recourse from Dr. Loh against the Company (if any).

Taking in to account the above, the Company is of the view that (1) the issue of corporate guarantees will be resolved upon the fulfillments of the conditions proposed by Dr. Loh. In order to prevent the reoccurrence of similar incident in the future, the Company will use its best endeavours to enhance its internal control (including implementing the recommendations provided by the investigation consultant) and to ensure that it has adequate internal controls and procedures in place to meet its obligations under the GEM Listing Rules; and (2) the issue of deed of undertakings will not have any material adverse effect on the business operation and financial position of the Group.

The Board and the independent investigation committee have reviewed and considered the investigation report. Subject to the various limitations which the investigation consultant encountered or observed as reported in the investigation report, the Board and the independent investigation committee are of the view that the investigation consultant had performed appropriate and comprehensive procedures in respect of the investigation in particular, the investigation consultant had interviewed the directors and relevant employees of the Group to understand the Corporate Guarantees and inspected all available underlying supporting documents provided by the Company, the directors and relevant employees of the Group.

The Board is also satisfied and agreed with the findings of the investigation report that:

- (i) there are corporate guarantees provided by the Company for the Facilities and for the rental agreement dated 7 May 2020, entered into between Health Link Investment Limited (as the landlord) and RMH (Hong Kong) Holdings Limited (as the tenant), pertaining to the premises situated at 25th Floor, Harbourside HQ, No.8 Lam Chak Street, Kowloon, Hong Kong; (“**Corporate Guarantees**”);
- (ii) other than the Corporate Guarantees, the Company is not aware of any other corporate guarantees provided by the Company;
- (iii) there are supporting documents to indicate that the Corporate Guarantees were properly approved including (a) two minutes pertaining to authorising and instructing Dr. Loh to sign the Corporate Guarantees on 17 April 2020; (b) extracts of resolutions passed by the Board dated 30 April 2020 certified by both Dr. Loh and Dr. Melvin Ee Hock Leong and extracts of resolutions passed by the Board dated 20 August 2020 certified by both Dr. Loh and Seow Swee How; and (c) the confirmations and representations by Dr. Loh;
- (iv) although it cannot be ascertained whether there was any direct association between the loan proceeds from the Facilities and the acquisition of medical machineries and tenancy agreement as the transactions took place several years ago, there were shortcomings of the Company for the acquisition of medical machineries and the Company has taken appropriate action to request Medisun Holdings Limited to repay the outstanding balance of the acquisition consideration and the Company will continue to follow up and take appropriate remedial actions;
- (v) while it cannot be ascertained the source of the alleged forged signature page of Dr. Loh in the deed of undertaking in relation to the Company’s major disposal in July 2022, given that the major disposal had already fell through as disclosed in the announcement of the Company dated 25 October 2022, the Board is of the view that it was a one-off incident and would not have any material adverse effect on the business operation and financial position of the Group; and
- (vi) In order to prevent the reoccurrence of similar incident in the future, the Company has implemented a range of internal control policies recommended by the investigation consultant. These policies, effective from 10 May 2024, encompass various aspects, including but not limited to:
 - (i) establishing a policy to regulate corporate guarantees provided by the Company and its subsidiaries;
 - (ii) implementing a policy to oversee supplier due diligence and transaction monitoring, aimed at preventing supplier failures;
 - (iii) enforcing a policy to ensure the authenticity of signed pages; and
 - (iv) introducing policies that governs record retention, which includes the creation, execution, and storage of the documents, as well as the proper handover of records and documents upon an employee’s resignation.

The Group is committed to strictly adhering to these policies and procedures to ensure effective internal control.

CONTINUED SUSPENSION OF TRADING

At the direction of the Stock Exchange, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:08 a.m. on Monday, 3 April 2023 and will continue to be suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when investing in or dealing in the securities of the Company.

By order of the Board
RMH Holdings Limited
Poon Chun Yin
Chairman and Executive Director

Hong Kong, 10 May 2024

As at the date of this announcement, the executive directors of the Company are Mr. Poon Chun Yin (Chairman), Mr. Loke Wai Ming, Mr. Lee Chung Shun and Mr. Cui Han and the independent non-executive directors of the Company are Mr. Chau Wing Nam, Mr. Yeung Pok Man Peason, Mr. Cheung Tsu Lun and Ms. Chong Wai Shan.

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 of Hong Kong Limited 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 Announcements” page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company’s website at <https://www.rmhhk.com>.