# RMH HOLDINGS LIMITED
# 德斯控股有限公司

(Incorporated in the Cayman Islands with limited liability)

**Stock Code: 8437**

# 2019
## Interim Report

# 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.**

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, 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 report 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 report misleading.*

# HIGHLIGHTS

- The unaudited revenue of the Group amounted to approximately S$3,471,000 for the six months ended 30 June 2019, representing a decrease of approximately S$240,000 or 6.5% as compared with the six months ended 30 June 2018.

- The unaudited profit of the Group was approximately S$333,000 for the six months ended 30 June 2019, representing a decrease of approximately S$797,000 or 70.5% as compared with the six months ended 30 June 2018.

- Basic earnings per share was 0.06 Singapore cents for the six months ended 30 June 2019 while the basic earnings per share was 0.22 Singapore cents for six months ended 30 June 2018.

- The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2019.

# UNAUDITED INTERIM RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the three and six months ended 30 June 2019*

| | | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | | **2019** | 2018 | **2019** | 2018 |
| | *Notes* | ***S$'000*** | *S$'000* | ***S$'000*** | *S$'000* |
| | | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| **Revenue** | *5* | **1,709** | 1,886 | **3,471** | 3,711 |
| Other operating income | *6* | **130** | 27 | **226** | 44 |
| Consumables and medical supplies used | | **(235)** | (267) | **(521)** | (547) |
| Other direct costs | | **(42)** | (24) | **(76)** | (64) |
| Employee benefits expense | | **(554)** | (369) | **(956)** | (759) |
| Depreciation of plant and equipment | | **(6)** | (37) | **(160)** | (73) |
| Depreciation of right-of-use assets | | **(445)** | – | **(445)** | – |
| Other operating expenses | | **(425)** | (284) | **(1,039)** | (992) |
| Finance costs | | **(27)** | – | **(27)** | – |
| **Profit before taxation** | *7* | **105** | 932 | **473** | 1,320 |
| Income tax expense | *8* | **(70)** | (95) | **(140)** | (190) |
| **Profit and total comprehensive income for the period attributable to owners of the Company** | | **35** | 837 | **333** | 1,130 |
| **Basic earnings per share (Singapore cents)** | *9* | **0.01** | 0.16 | **0.06** | 0.22 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2019*

| | Notes | 30 June 2019 S$'000 (Unaudited) | 31 December 2018 S$'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment | 11 | **1,471** | 541 |
| Right-of-use assets | 12 | **1,612** | – |
| Rental deposits | | **304** | 287 |
| | | **3,387** | 828 |
| **CURRENT ASSETS** | | | |
| Inventories | | **291** | 198 |
| Trade and other receivables | 13 | **818** | 659 |
| Bank balances and cash | | **12,974** | 14,128 |
| | | **14,083** | 14,985 |
| **CURRENT LIABILITIES** | | | |
| Deferred revenue | 14 | **72** | – |
| Trade and other payables | 15 | **495** | 871 |
| Lease liabilities | 16 | **786** | – |
| Income tax payables | | **307** | 312 |
| | | **1,660** | 1,183 |
| **NET CURRENT ASSETS** | | **12,423** | 13,802 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **15,810** | 14,630 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | 16 | **847** | – |
| Deferred tax liability | | **24** | 24 |
| | | **871** | 24 |
| **NET ASSETS** | | **14,939** | 14,606 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 17 | **1,037** | 1,037 |
| Reserves | | **13,902** | 13,569 |
| | | **14,939** | 14,606 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2019*

| | Share capital *S$'000* | Share premium *S$'000* | Other reserve *S$'000* | Retained earnings (Accumulated loss) *S$'000* | Total *S$'000* |
|---|---|---|---|---|---|
| **At 1 January 2019 (audited)** | **1,037** | **9,589** | **2,165** | **1,815** | **14,606** |
| Profit and total comprehensive income for the period | **–** | **–** | **–** | **333** | **333** |
| **At 30 June 2019 (unaudited)** | **1,037** | **9,589** | **2,165** | **2,148** | **14,939** |
| **At 1 January 2018 (audited)** | 1,037 | 9,589 | 2,165 | (36) | 12,755 |
| Profit and total comprehensive income for the period | – | – | – | 1,130 | 1,130 |
| **At 30 June 2018 (unaudited)** | 1,037 | 9,589 | 2,165 | 1,094 | 13,885 |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2019*

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***S$'000*** | *S$'000* |
| | **(Unaudited)** | (Unaudited) |
| **OPERATING ACTIVITIES** | | |
| Profit before taxation | **473** | 1,320 |
| *Adjustment for:* | | |
| Depreciation of plant and equipment | **160** | 73 |
| Depreciation of right-of-use assets | **445** | – |
| Interest income | **(212)** | (8) |
| Interest expense on lease liabilities | **27** | – |
| Operating cash flows before working capital changes | **893** | 1,385 |
| *Movement in working capital:* | | |
| Increase in inventories | **(93)** | (33) |
| Increase in trade and other receivables and rental deposits | **(176)** | (160) |
| Increase in deferred revenue | **72** | – |
| Decrease in trade and other payables | **(376)** | (207) |
| Cash generated from operations | **320** | 985 |
| Interest received | **212** | 8 |
| Interest expense on lease liabilities | **(27)** | – |
| Income tax paid | **(146)** | (191) |
| **Cash from operating activities** | **359** | 802 |
| **INVESTING ACTIVITY** | | |
| Purchase of plant and equipment | **(1,090)** | (12) |
| **Cash used in investing activity** | **(1,090)** | (12) |
| **FINANCING ACTIVITY** | | |
| Repayment of lease liabilities | **(423)** | – |
| **Cash used in financing activity** | **(423)** | – |
| Net (decrease) increase in cash and cash equivalents | **(1,154)** | 790 |
| Cash and cash equivalents at beginning of the period | **14,128** | 12,553 |
| **Cash and cash equivalents at end of the period, represented by bank balances and cash** | **12,974** | 13,343 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2019*

## 1 GENERAL

The Company was incorporated as an exempted company in the Cayman Islands with limited liability under Cayman Companies Law 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 Room 5705, 57th Floor, The Center, 99 Queen's Road Central, Hong Kong. The head office and principal place of business of the Company in Singapore is at #15-09 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.

## 2 BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to the reorganisation of the Company in connection with the Listing (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 11 May 2017. The companies now comprising the Group were under the common control of the Company. Accordingly, these financial statements have been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the earliest period presented. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Development — Reorganisation" in the prospectus of the Company dated 29 September 2017 (the "Prospectus").

The condensed 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 condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of changes in equity the Group for the six months ended 30 June 2019 are prepared as if the current group structure had been in existence throughout the six months ended 30 June 2019 or since the date of incorporation where there is a shorter period.

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

## 3 ADOPTION OF NEW AND REVISED STANDARDS

All IFRSs effective for the accounting period commencing from 1 January 2019, together with the relevant transitional provisions, have been adopted by the Group in preparation of these condensed consolidated financial statements. The adoption of these new/revised IFRSs has no material effect on the amounts reported for the current or prior period.

**New and amended IFRS Standards that are effective for the current period**

*Impact of application of IFRS 16 Leases*

In the current period, the Group has applied IFRS 16 Leases which is effective for an annual period that begins on or after 1 January 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Group applied the practical expedient to recognise amounts of ROU assets equal to its lease liabilities on 1 January 2019 and recognition exemptions for short-term leases and leases of low value items in accordance with the principles of IFRS 16.

Under IFRS 16, the Group recognised its existing operating lease arrangements where the Group is a lessee, as ROU assets with corresponding lease liabilities and measures lease liabilities by applying a single discount rate to the leases.

The nature of expenses related to those leases will change as the principles under IFRS 16 replaces the straight-line operating lease expense with net change in fair value of depreciation charge for ROU assets, and interest expense on lease liabilities.

## 4 SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements of the Group for the six months ended 30 June 2019 have been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rule, 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 Hong Kong Companies Ordinance.

The condensed consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

**Financial assets**

*Classification of financial assets*

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**Impairment of financial assets**

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Deferred revenue represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Revenue recognition under IFRS 15 for each revenue stream of the Group are as follows:

Revenue from provision of consultation services ("Consultation Services") relate to contracts with patients in which our performance obligations are to provide consultation to the patients. Performance obligations for consultation services are generally satisfied over a period of less than one day.

Revenue from dispensing of medical skincare products ("Prescription and Dispensing Services") is recognised at point in time when the patient has obtained the control of the medication and skincare products when the dispensing is made and the patient has substantially obtained all the remaining benefits of these products.

Revenue from provision of medical skincare treatments of surgical and non-invasive/minimally invasive in nature ("Treatment Services") generally relate to contracts with patients in which our performance obligations are to provide the required treatment services to the patients. Performance obligations for treatment services are generally satisfied over a period of less than one day.

Revenue from provision of aesthetics and wellness services ("Aesthetic Services") generally relate to performance obligations to provide treatment services. Considerations are generally received and recognised as deferred revenue. Revenue from sale of medication and skincare products is recognised at the point in time at which physical possession of the medication and skincare products. As such, the patient has obtained control of the products and has the ability to direct the use and obtain substantially all of the remaining benefits from the products.

Revenue from other services ("Other Services") generally relate to laboratory test carried out as part of treatment procedures. Performance obligation for such services are generally satisfied at point in time when the relevant test has been completed.

## 5 REVENUE AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on provision of dermatology treatment solutions, specialised in skin cancer, skin diseases and aesthetic procedures, to customers in Singapore. The major categories of the Group's operating activities include Consultation Services, Prescription and Dispensing Services, Treatment Services and Aesthetic Services. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies same as those of the Group as described in Note 4. Dr. Loh, Dr. Ee and Dr. Kwah, directors of the Company, have been identified as the chief operating decision makers ("CODM"). The CODM review the Group's revenue analysis by services and products in order to assess performance and allocate resources.

Other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance and allocation of resources. The CODM review the results of the Group as a whole to make decisions. Accordingly, other than entity-wide information, no analysis of this single operating segment is presented.

**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:

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***S$'000*** | *S$'000* |
| | **(Unaudited)** | (Unaudited) |
| Types of services: | | |
| Consultation Services | **926** | 969 |
| Prescription and Dispensing Services | **985** | 1,094 |
| Treatment Services | **1,286** | 1,395 |
| Aesthetic Services | **30** | – |
| Other Services *(Note)* | **244** | 253 |
| | **3,471** | 3,711 |
| Timing of revenue recognition: | | |
| At a point in time | **1,229** | 1,347 |
| Over time | **2,242** | 2,364 |
| | **3,471** | 3,711 |

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

## 6 OTHER OPERATING INCOME

| | Six months ended 30 June 2019 S$'000 (Unaudited) | 2018 S$'000 (Unaudited) |
|---|---|---|
| Interest income | **212** | 8 |
| Government grant *(Note)* | **14** | 36 |
| | **226** | 44 |

*Note:* Government grant represents primarily government subsidies in form of cash payout from Inland Revenue Authority of Singapore in relation to support businesses embarking on transformation efforts and encourage sharing of productivity gains with workers until year 2020.

## 7 PROFIT BEFORE TAXATION

Profit before tax has been arrived at after charging:

| | Six months ended 30 June 2019 S$'000 (Unaudited) | 2018 S$'000 (Unaudited) |
|---|---|---|
| Audit fees (included in other operating expenses) | **75** | 75 |
| Administrative fees (included in other operating expense) | **138** | 154 |
| Net foreign currency exchange loss (included in other operating expense) | **174** | 84 |
| Professional and consulting fees (included in other operating expenses) | **493** | 363 |
| Employee benefits expense: | | |
| Directors' remunerations | **430** | 410 |
| Other staff costs | | |
| — salaries, bonus and other benefits | **464** | 304 |
| — contributions to retirement benefits scheme | **62** | 45 |

## 8 INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***S$'000*** | *S$'000* |
| | **(Unaudited)** | (Unaudited) |
| Tax expense comprises: | | |
| Singapore corporate income tax ("CIT") | | |
| — Current tax | **140** | 190 |

Singapore CIT is calculated at 17% (2018: 17%) of the estimated assessable profit eligible for CIT rebate of 20%, capped at S$10,000 for the Year of Assessment 2019, not eligible from Year of Assessment 2020 onwards. Singapore incorporated companies can also enjoy 75% tax exemption on the first S$10,000 (2018: S$10,000) of normal chargeable income and a further 50% tax exemption on the next S$190,000 (2018: S$290,000) of normal chargeable income.

## 9 EARNINGS PER SHARE

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| Profit attributable to the owners of the Company (S$'000) | **333** | 1,130 |
| Weighted average number of ordinary shares in issue ('000) | **600,000** | 520,000 |
| Basic earnings per share (Singapore cents) | **0.06** | 0.22 |

For the six months ended 30 June 2019 and 2018, no separated diluted earnings per share information has been presented as there was no dilutive potential ordinary shares outstanding.

## 10 DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

## 11 PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired plant and equipment of approximately S$1,090,000 (30 June 2018: S$12,000).

## 12 RIGHT-OF-USE ASSETS

| | Premises<br>*S$'000* | IT equipments<br>*S$'000* | Total<br>*S$'000* |
|---|---|---|---|
| Net carrying amount as at 30 June 2019 (unaudited) | 1,598 | 14 | 1,612 |
| Depreciation expenses for the period ended 30 June 2019 (unaudited) | 440 | 5 | 445 |

## 13 TRADE AND OTHER RECEIVABLES

| | **As at 30 June 2019** ***S$'000*** **(Unaudited)** | As at 31 December 2018 *S$'000* (Audited) |
|---|---|---|
| Trade receivables | **569** | 481 |
| Deposits | **41** | 39 |
| Prepayment | **116** | 119 |
| Other tax receivable | **46** | – |
| Other receivables | **46** | 20 |
| | **818** | 659 |

The patients of the Group usually settle their payments by cash, Network for Electronic Transfer ("NETS"), credit cards and claiming from 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 insurance companies, the Group allowed a credit period ranging from 45 to 90 days to insurance companies and it would generally grant payment terms of 90 days if payment terms are not specified in the contracts.

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.

| | **Trade receivables — days past due** | | | | |
|---|---|---|---|---|---|
| | **Not Past due** | **91 to 120 days** | **121 to 150 days** | **>150 days** | **30 June 2019** |
| | ***S$'000*** | ***S$'000*** | ***S$'000*** | ***S$'000*** | ***S$'000*** |
| | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** |
| Expected credit loss rate | * | * | * | * | – |
| Estimated total gross carrying amount at default | **492** | **67** | **–** | **10** | **569** |
| Lifetime ECL | * | * | * | * | **–** |
| | | | | | **569** |

| | Trade receivables — days past due | | | | |
|---|---|---|---|---|---|
| | Not Past due | 91 to 120 days | 121 to 150 days | >150 days | 31 December 2018 |
| | *S$'000* | *S$'000* | *S$'000* | *S$'000* | *S$'000* |
| | (Audited) | (Audited) | (Audited) | (Audited) | (Audited) |
| Expected credit loss rate | * | * | * | * | – |
| Estimated total gross carrying amount at default | 392 | 86 | – | 3 | 481 |
| Lifetime ECL | * | * | * | * | – |
| | | | | | 481 |

* Denotes less than 1% and not significant.

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

| | **As at 30 June 2019** | As at 31 December 2018 |
|---|---|---|
| | ***S$'000*** | *S$'000* |
| | **(Unaudited)** | (Audited) |
| 0–30 days | **168** | 114 |
| 31–60 days | **184** | 156 |
| 61–90 days | **140** | 122 |
| Over 90 days | **77** | 89 |
| | **569** | 481 |

## 14 DEFERRED REVENUE

Deferred revenue represents upfront receipt from customers.

| | As at 30 June 2019 S$'000 (Unaudited) |
|---|---|
| At the beginning of the period | – |
| Receipt from customers | 103 |
| Revenue recognised that was included in the contract liabilities balance at the beginning of the period | – |
| Revenue recognised during the period that was related to receipt from customers in the same period | (31) |
| At the end of the period | 72 |

There were no significant changes in the nature of deferred revenue balances during the reporting period.

## 15 TRADE AND OTHER PAYABLES

| | As at 30 June 2019 S$'000 (Unaudited) | As at 31 December 2018 S$'000 (Audited) |
|---|---|---|
| Trade payables | 176 | 99 |
| Accrued staff costs | 30 | 241 |
| Accrued operating expenses | 286 | 345 |
| Other payables | 3 | 186 |
| | 495 | 871 |

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:

| | **As at 30 June 2019** ***S$'000*** **(Unaudited)** | As at 31 December 2018 *S$'000* (Audited) |
|---|---|---|
| 0–30 days | **134** | 95 |
| 31–60 days | **17** | 3 |
| 61–90 days | **2** | 1 |
| Over 90 days | **23** | – |
| | **176** | 99 |

## 16 LEASE LIABILITIES

| | **As at 30 June 2019** ***S$'000*** **(Unaudited)** |
|---|---|
| Amounts due for settlement within 12 months (shown under current liabilities) | **786** |
| Amounts due for settlement after 12 months | **847** |
| | **1,633** |

## 17 SHARE CAPITAL

Details of the share capital are disclosed as follows:

| | **Number of shares** | **Par value** *HK$* | **Share capital** *HK$'000* |
|---|---|---|---|
| Authorized share capital of the Company: | | | |
| At 30 June 2019 and 31 December 2018 | 10,000,000,000 | 0.01 | 100,000 |

| | **Number of shares** | **Share capital** *S$'000* |
|---|---|---|
| Issued and fully paid shares of the Company: | | |
| At 30 June 2019 and 31 December 2018 | 600,000,000 | 1,037 |

## 18 RELATED PARTY TRANSACTIONS

The remuneration of executive directors of the Company and other members of key management personnel during the period was as follows:

**Compensation of key management personnel**

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***S$'000*** | *S$'000* |
| | **(Unaudited)** | (Unaudited) |
| Salaries, performance bonus and other benefits | **396** | 391 |
| Contributions to retirement benefits scheme | **34** | 19 |
| | **430** | 410 |

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is a leading specialist dermatological and surgical practice accredited by the Ministry of Health of Singapore in Singapore, providing accessible, comprehensive, quality and specialty care services for a variety of dermatological conditions affecting skin, hair and nails by utilising a wide range of advanced and sophisticated medical, surgical, laser and aesthetic treatments. The Group's private dermatology practice comprises primarily doctors, and trained personnel with specialised skill sets equipped to handle complex dermatological conditions. The Group provides an all-round treatment solution that is tailored to our patients' individual needs for the treatment of, among others, skin cancer, skin diseases such as eczema, psoriasis, acne, pigmentation, adverse drug reactions and warts. The Group also performs aesthetic treatments to enhance the overall appearance of patients.

The revenue of the Group decreased by approximately S$240,000, or 6.5%, to approximately S$3,471,000 as compared to the six months ended 30 June 2018. The decrease in revenue was preliminarily due to a marginal decrease in the revenue from patients who purchased DS brand skincare products, or prescription medication without doctor's consultation. However, the Group is optimistic that the opening of new medical aesthetics clinics in close proximity to our existing clinics will allow us to tap into a pool of patients visiting our existing clinics who may also be considering certain medical aesthetics treatment. Hence, the Group can strengthen its competitiveness and better seize opportunities brought about by the increasing demand for its services. The expanded network of clinics can also offer greater flexibility to customers in picking where to use our services, which is crucial to retaining customers in the long run.

## BUSINESS OUTLOOK

Looking forward, the Group will continue to seek to enlarge our market share in the dermatological and surgical services industry in Singapore and to build our reputation, grow the "Dermatology & Surgery Clinic" brand and business as well as consolidate our position in the market and achieve a continued growth in our business with strong potential in the specialist dermatology and surgical services industry in Singapore.

Due to their rising living standards of Singapore, people in Singapore have changed their perception about aesthetic and tend to pay more attention to their appearance and receive medical aesthetic services to preserve their youth, which may promote the development of medical aesthetic service market. The Group is currently negotiating for the expansion of existing East Coast Clinic premise for refurbishment and opening medical aesthetic clinic at East Coast.

The Group is exploring to expand "Family and Skin" clinic, which will be a gateway to access a larger pool of customers and General Practitioners located at "Family and Skin" clinic. The "Family and Skin" clinic will focus on treatments of less complicated dermatological conditions while customers with more complicated dermatological conditions or medical aesthetic treatments that require special intervention will be referred to our existing clinics, which are staffed by our resident Doctors and are fully equipped to perform intricate treatments.

This not only provides us with an opportunity to grow our medical aesthetic practice, it also allows for the expansion of operations at our existing clinics to optimise the time and skills of our resident Doctors by focusing on treatments of more complex dermatological conditions. We further intend to recruit a dermatologist as part of our expansion plan.

## FINANCIAL REVIEW

### Revenue

The Group's overall revenue amounted to approximately S$3,471,000 for the six months ended 30 June 2019, representing a decrease of approximately S$240,000 or 6.5% as compared with the revenue of S$3,711,000 for the six months ended 30 June 2018.

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 Consultation Services, Prescription and Dispensing Services, Aesthetic Services and Treatment Services. The decrease in revenue for the six months ended 30 June 2019 was mainly attributable to decrease in Prescription and Dispensing Services and Treatment Services rendered. The following table sets forth a breakdown of our revenue for the periods indicated:

| | Six months ended 30 June | | | |
|---|---|---|---|---|
| | **2019** | | 2018 | |
| | ***S$'000*** | % | *S$'000* | % |
| | **(Unaudited)** | | (Unaudited) | |
| **Revenue** | | | | |
| Consultation Services | **926** | **26.7** | 969 | 26.1 |
| Prescription and Dispensing Services | **985** | **28.4** | 1,094 | 29.5 |
| Treatment Services | **1,286** | **37.0** | 1,395 | 37.6 |
| Aesthetic Services | **30** | **0.9** | – | 0.0 |
| Other Services | **244** | **7.0** | 253 | 6.8 |
| | **3,471** | **100.0** | 3,711 | 100.0 |

Revenue generated from Consultation Services decreased by S$43,000 from S$969,000 to S$926,000 for the six months ended 30 June 2018 and 2019 respectively. With a decrease in the number of patient visits for Consultations Services from 9,369 to 8,940 for the six months ended 30 June 2018 and 2019 respectively, the Group recorded a 4.6% decrease in the total number of patient visits for the six months ended 30 June 2019.

Revenue generated from Prescription and Dispensing Services decreased by S$109,000 from S$1,094,000 to S$985,000 for the six months ended 30 June 2018 and 2019 respectively. The decrease was a result of a marginal decrease in the revenue from patients who purchased DS brand skincare products, or prescription medication without doctor's consultation.

Revenue generated from Treatment Services decreased by S$109,000 from S$1,395,000 to S$1,286,000 for the six months ended 30 June in 2018 and 2019 respectively. Revenue from Treatment Services was predominantly decreased from anesthesia, injection and intense pulse light.

Revenue generated from Aesthetic Services is pertaining to customers are able to exercise their contractual rights in relation to the prepaid treatment packages at their discretion, the amount was presented as current liabilities in the condensed consolidated statement of financial position.

**Consumables and medical supplies used**

Our consumables and medical supplies used amounted to S$547,000 and S$521,000 for the six months ended 30 June 2018 and 2019 respectively. The decrease was in line with the decrease in revenue generated from Prescription and Dispensing Services. These comprised costs of treatment consumables, skincare products and medications were necessary for the provision of our services at our clinics.

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

**Other operating income**

Other operating income for the six months ended 30 June 2019 and 2018 represented primarily interest income and government grants which comprised cash pay-out from Inland Revenue Authority of Singapore ("IRAS") in relation to support businesses embarking on transformation efforts and encourage sharing of productivity gains with workers until year 2020.

**Other direct costs**

Other direct costs were mainly attributable to laboratory charges, which were 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.

**Employee benefits expense**

| | **Six months ended 30 June** | |
|---|---|---|
| | **2019** | 2018 |
| | ***S$'000*** | *S$'000* |
| | **(Unaudited)** | (Unaudited) |
| Directors' remunerations | **430** | 410 |
| Other staff costs: | | |
| — Salaries, bonus and other benefits | **464** | 304 |
| — Contributions to retirement benefits scheme | **62** | 45 |
| Employee benefits expense | **956** | 759 |

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 directors, as at the six months end of the respective financial period is as follow:

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| Total staff count | **32** | 22 |

**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;

(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.

**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 increased by approximately S$47,000 or 4.7% from approximately S$992,000 for the six months ended 30 June 2018 to approximately S$1,039,000 for the six months ended 30 June 2019.

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***S$'000*** | *S$'000* |
| | **(Unaudited)** | (Unaudited) |
| Rental and property upkeep | **–** | 213 |
| Administrative fees | **138** | 154 |
| Professional and consulting fees | **493** | 363 |
| Audit fees | **75** | 75 |
| Net foreign currency exchange loss | **174** | 84 |
| Other expenses | **159** | 103 |
| **Other operating expenses** | **1,039** | 992 |

The decrease in rental and property upkeep for the six months ended 30 June 2019 was due to application of IFRS 16 Leases, which replaces the straight line operating lease expense with net change in fair value of depreciation charge for right-of-use assets, and interest expense on lease liabilities.

The increase in professional and consulting fees for approximately S$130,000 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 card charges, clinic supplies, repairs and maintenance, insurance and other miscellaneous expenses. The increase of other expenses was mainly due to non-recurring marketing and advertising expenses to create market awareness for the new aesthetic clinic.

### Finance costs

The Group did not have any bank borrowings, or interest-bearing liabilities for the six months ended 30 June 2019 and 30 June 2018.

The finance costs were attributable to interest expense on lease liabilities under IFRS 16.

### Income tax expense

Income tax expense was approximately S$140,000 for the six months ended 30 June 2019 and approximately S$190,000 for the six months ended 30 June 2018. The decrease was mainly attributable to the decrease in profit before taxation of approximately S$847,000.

### Profit for the period

Due to the combined effect of the aforesaid factors, we recorded the profit of approximately S$333,000 for the six months ended 30 June 2019, representing a decrease of approximately S$797,000 as compared with the profit of approximately S$1,130,000 for the six months ended 30 June 2018.

## INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

## CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The capital of the Group only comprises ordinary shares.

As at 30 June 2019, the total equity of the Group was approximately S$14,939,000 (31 December 2018: approximately S$14,606,000). The Group generally financed its operation with internally generated cash flows. The Group had bank balances and cash of approximately S$12,974,000 as at 30 June 2019 (31 December 2018: approximately S$14,128,000). As at 30 June 2019, the Group had net current assets of approximately S$12,423,000 (31 December 2018: approximately S$13,802,000).

No gearing ratio of the Group as at 30 June 2019 and 31 December 2018, calculated based on total debt divided by total equity as at the end of the period. As at 30 June 2019 and 31 December 2018, the Group had no outstanding debt.

Net cash generated from operating activities for the six months ended 30 June 2019 was approximately S$359,000 (30 June 2018: approximately S$802,000). With the healthy bank balances and cash on hand, the Group's liquidity position remained strong and it had sufficient financial resources to fund its future plans and to meet its working capital requirement.

## SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

During the six months ended 30 June 2019, the Group did not have any significant investment, material acquisitions nor disposal of subsidiaries and affiliated companies.

## FOREIGN EXCHANGE EXPOSURE

The Group operates in Singapore and transacts mainly in Singapore dollars, which is the functional currency of the majority of the Group's operating subsidiaries. However, the Group retained certain amount of the proceeds from the Share Offer in Hong Kong dollars which contributed to an unrealised foreign exchange loss of approximately S$174,000 during the six months ended 30 June 2019 as Hong Kong dollars weakened against Singapore dollars.

## COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of our office premise and clinics. As at 31 December 2018, the Group had outstanding commitments under non-cancellable operating leases of approximately S$1,799,000. Upon the adoption of IFRS 16, the directors of the Group expect that the operating lease commitments in the future in respect of the leased premises with the terms more than twelve months will be required to be recognised in the consolidated financial statements in the future as right-of-use assets and lease liabilities. The directors of the Company do not expect the adoption of IFRS 16 as compared with the current accounting policy of the Group would result in significant impact on the Group's result.

In addition, the Group currently considers refundable rental deposits paid of approximately S$304,000 as rights under leases to which IFRS 16 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

Except for the above, the directors of the Company anticipate that the application of the other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the future.

## 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 30 June 2019, the Group did not have material contingent liabilities.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, our Group had a total of 32 employees (including part time staff), excluding our doctors (31 December 2018: 20). Staff costs, including Directors' remuneration, of our Group were approximately S$956,000 for the six months ended 30 June 2019 (30 June 2018: approximately S$759,000). 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 in-house 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 30 June 2019 and 31 December 2018, there were no charges on the Group's assets.

## USE OF PROCEEDS

The net proceeds from the Share Offer were approximately HK$44.7 million, which was based on the offer price of HK$0.48 per Share and the actual expenses related to the Listing. After the Listing, these proceeds were and will be used for the purposes in accordance with the future plans as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The net proceeds from the Share Offer as at 30 June 2019 were used as follows:

| | Planned use of proceeds as shown in the Prospectus (adjusted on a prorata basis based on the actual net proceeds) *HK$ million* | Planned use of proceeds as shown in the Prospectus from the date of the Listing to 30 June 2019 (adjusted on a prorata basis based on the actual net proceeds) *HK$ million* | Actual use of proceeds from the date of the Listing to 30 June 2019 *HK$ million* | Unutilised amount as 30 June 2019 *(Note a)* *HK$ million* | *Notes* |
|---|---|---|---|---|---|
| Strategically expand and strengthen our network of clinics in Singapore | 14.1 | 14.1 | (3.2) | 10.9 | *b* |
| Enhance the quality and variety of our Services at our existing clinics and establish new medical aesthetic clinics | 13.6 | 13.6 | (6.4) | 7.2 | *c* |
| Purchase additional new devices and broaden the variety of treatments and products offered | 9.6 | 9.6 | (2.3) | 7.3 | *c* |
| Establish a logistics centre for centralised operations | 2.3 | 2.3 | – | 2.3 | *d* |
| Improve our information technology infrastructure and systems | 2.4 | 2.4 | (0.4) | 2.0 | *e* |
| General working capital | 2.7 | 2.7 | (2.7) | – | |
| | 44.7 | 44.7 | (15.0) | 29.7 | |

*Notes:*

(a) The unused proceeds are deposited in a licensed bank in Hong Kong and Singapore.

(b) The Group found a good location which proximity to Orchard Clinic and entered tenancy agreement on 1 April 2019 for our new “family and skin” clinic which had commenced operations in May 2019. We procured fixed assets, furniture equipment and treatment devices for a new “family and skin” clinic. With our Group’s expansion to establish ‘‘family and skin’’ clinic and new medical aesthetic clinics, our existing clinics will enjoy a scalability of its operations and focus on treatments for more complex dermatological conditions and intricate medical aesthetic treatments. We are still looking for availability of leasing space in a large scale shopping complex located in one of the most popular area in neighbourhoods in Singapore in areas with residential, commercial and corporate concentration to open new “family and skin” clinics.

(c) We are currently negotiating to expand clinic operation and opening aesthetic clinic at East Coast Clinic. On the other hard, the Group has entered into a tenancy agreement on 10 December 2018 and moved Raffles Place Clinic to a larger premise. Besides, the Group has successfully secured a letter of offer dated 25 October 2018 and a tenancy agreement on 11 February 2019 at the same premise of existing Orchard Clinic for establishment of new medical aesthetic clinic and expansion of operation at existing Orchard Clinic. Both Raffles Place Clinic and Orchard Clinic have commenced operation since February 2019.

(d) We delayed our plan on establishment of logistic centre as we were not able to secure the lease of the space nearby and will continue to look for suitable location.

(e) We delayed our spending on information technology infrastructure and systems as we are still in the process of identifying the system that would best fit for our clinic uses and consistent with Ministry of Health upcoming new policy.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2019, the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which, once the Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors to be notified to our Company and the Stock Exchange, were as follows:

| Name of Director | Capacity/ nature of interest | Number of shares interested | Percentage of interest in our Company |
|---|---|---|---|
| Dr. Loh Teck Hiong ("Dr. Loh") | Interest in controlled corporation *(Note)* | 358,000,000 (Long position) | 59.66% |
| Dr. Ee Hock Leong ("Dr. Ee") | Interest in controlled corporation *(Note)* | 358,000,000 (Long position) | 59.66% |
| Dr. Kwah Yung Chien, Raymond ("Dr. Kwah") | Interest in controlled corporation *(Note)* | 358,000,000 (Long position) | 59.66% |

*Notes:* The 358,000,000 shares are held by Brisk Success. As Brisk Success is beneficially owned by Dr. Loh, Dr. Ee and Dr. Kwah as to 33.33%, respectively and they are acting in concert as to approximately 33.33%, respectively, therefore they are deemed to be interested in the Shares held by Brisk Success under the SFO.

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2019, the following persons, not being a Director or chief executive of our Company, had an interest or short position in the Shares and underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO (the "Substantial Shareholders' Register"), or, who is interested, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

| Name of Shareholder | Capacity/ nature of interest | Number of shares interested | Percentage of interest in our Company |
|---|---|---|---|
| Brisk Success | Beneficial owner *(Note 1)* | 358,000,000 (Long position) | 59.66% |
| Ms. Fung Yuen Yee | Interest of spouse *(Note 2)* | 358,000,000 (Long position) | 59.66% |
| Ms. Chou Mei | Interest of spouse *(Note 3)* | 358,000,000 (Long position) | 59.66% |
| Ms. Grace Lim Wen Li | Interest of spouse *(Note 4)* | 358,000,000 (Long position) | 59.66% |
| Victory Spring Ventures Limited | Beneficial owner *(Note 5)* | 35,560,000 (Long position) | 5.93% |
| Ye Zhichun | Interest in controlled corporation *(Note 5)* | 35,560,000 (Long position) | 5.93% |

*Notes:*

(1) The entire issued share capital of Brisk Success is legally and beneficially owned as to approximately 33.33% by Dr. Loh, Dr. Ee and Dr. Kwah respectively. Accordingly, Dr. Loh, Dr. Ee and Dr. Kwah are deemed to be interested in 358,000,000 Shares held by Brisk Success by virtue of the SFO. Dr. Loh, Dr. Ee and Dr. Kwah are executive Directors and are persons acting in concert and accordingly each of them is deemed to be interested in the Shares held by the others.

(2) Ms. Fung Yuen Yee, being the spouse of Dr. Loh, is deemed to be interested in all the Shares in which Dr. Loh is interested pursuant to the SFO.

(3) Ms. Chou Mei, being the spouse of Dr. Ee, is deemed to be interested in all the Shares in which Dr. Ee is interested in pursuant to the SFO.

(4) Ms. Grace Lim Wen Li, being the spouse of Dr. Kwah, is deemed to be interested in all the Shares in which Dr. Kwah is interested in pursuant to the SFO.

(5) The entire issued shares of Victory Spring Ventures Limited is legally and beneficially owned by Mr. Ye Zhichun. Accordingly, Mr. Ye Zhichun is deemed to be interested in 35,560,000 Shares held by Victory Spring Ventures Limited by virtue of the SFO.

Save as disclosed above, as at 30 June 2019, the Directors were not aware of any persons who/entities which had any interest or short position in the Shares or underlying Shares that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the Substantial Shareholders' Register required to be kept under section 336 of the SFO.

## 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 six months ended 30 June 2019.

## SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 22 September 2017. During the period from 22 September 2017 to the date of this report, no share option were granted by the Company.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2019 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## 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 Directors, all the 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 six months ended 30 June 2019.

## 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 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 six months ended 30 June 2019.

## COMPETING INTERESTS

During the six months ended 30 June 2019, none of the Directors or the controlling Shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had any interests in any businesses which competed with or might compete with the business of the Group.

## INTEREST OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Red Solar Capital Limited, as at 30 June 2019, save for the compliance adviser agreement with effect from 1 November 2017 entered into between the Company and Red Solar Capital Limited, neither Red Solar Capital Limited, its directors, employees and close associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## 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 report, the audit committee consists of three independent non-executive Directors, namely Mr. Ong Kian Guan, Mr. Cheung Kiu Cho, Vincent and Mr. Wang Ning. 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 unaudited condensed consolidated financial statements for the six months ended 30 June 2019 and has provided advise and comments thereon.

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

Hong Kong, 13 August 2019

*As at the date of this report, the executive Directors are Dr. Loh Teck Hiong, Dr. Kwah Yung Chien, Raymond and Dr. Ee Hock Leong; and the independent non-executive Directors are Mr. Ong Kian Guan, Mr. Cheung Kiu Cho, Vincent and Mr. Wang Ning.*

*This report will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least seven days from the day of its publication. This report will also be published on the Company's website at https://www.rmhholdings.com.sg.*