

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.

TOMO HOLDINGS LIMITED

萬馬控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6928)

KEY FINDINGS AND RESULTS OF INTERNAL CONTROL REVIEW

This announcement is made by TOMO Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions 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 dated 24 April 2023, 12 May 2023 and 7 June 2023 (the “**Announcements**”) in relation to the investment in associates.

Unless the context otherwise requires, capitalised terms used herein have the same meanings as those defined in the Announcements.

THE INTERNAL CONTROL REVIEW

As disclosed in the announcement of the Company dated 7 June 2023, the Company will engage an independent internal control expert to carry out an internal control review on the Group to review whether there is any deficiency in the Group’s approval process in relation to significant transactions, and provide corresponding recommendations for rectification to the management of the Group.

On 29 June 2023, the Company engaged BT Corporate Governance Limited (“**BTCGL**”) as the independent internal control reviewer. The scope of BTCGL includes the assessment of the effectiveness of the procedures, systems and controls established by the Company and its subsidiaries in regards to the “Investment Management Cycle” of the Group and the “Financial Reporting Cycle” of the Company and TOMO-CSE Autotrim Pte Ltd, an indirect wholly-owned subsidiary of the Company.

FINDINGS OF THE INTERNAL CONTROL REVIEW

BTCGL has identified seven key internal control deficiencies in total in the Group's internal control system, all of which were categorised as low to medium risk, as set out in its report (the "**Internal Control Review Report**"). The management of the Group has reviewed such issues and deficiencies, and has taken appropriate actions and steps to address those internal control issues and deficiencies with reference to the rectification recommendations of BTCGL. The internal control issues identified by BTCGL and the Company's subsequent responses are set out below:

1.1 Investment Management Cycle

1.1.1 Insufficient mechanism over preliminary assessment of the investment

Findings

According to the existing "Treasury Management Policy", before performing an investment, Financial Controller has to draft an investment plan and submit it to the Chief Executive Officer for discussion and approval. Any investment plan with cost amount over SGD1,000,000 needs to be approved by the Company's Board of Directors. However, BTCGL noted that the above investment plan was not prepared for the existing investment. Besides, there was no financial due diligence procedures performed for the potential investment.

Recommendation

To better protect the interest of the Group, it is recommended that the Group should set up a comprehensive mechanism over preliminary assessment of the investment. An investment analysis report (including feasibility analysis, scenario analysis, liquidity analysis, etc.) should be prepared to analyze the risk and return, and funding requirements of the proposed investment before an investment decision is made. All the documents should be properly retained for future reference.

The Group's response and follow up results

Management agreed to implement the recommendation.

The Group has adopted and established the relevant internal control policies and procedures of the Group as of 30 September 2023.

1.1.2 Insufficient mechanism over monitoring of the performance of investment

Findings

According to the existing “Treasury Management Policy”, Financial Controller will review the investment monthly and reported to the Chief Executive Officer when determined to be needed. However, BTCGL noted that the content of monthly investment report is not specified in the existing manual. Besides, there was no monthly investment report prepared for the existing investment.

Recommendation

To better protect the interest of the Group, it is recommended that the Group should set up a mechanism over monitoring the performance of investment. The responsible personnel should be assigned to assess the performance of investment in writing on a regular basis. The assessment result should be submitted to the management for written approval. All supporting documents should be properly filed for future reference.

The Group’s response and follow up results

Management agreed to implement the recommendation.

The Group has adopted and established the relevant internal control policies and procedures of the Group as of 30 September 2023.

1.1.3 Insufficient mechanism over termination of investment

Findings

According to the existing “Treasury Management Policy”, disposal is initiated and approval by Chief Executive Officer. However, indicators of termination of investment and procedures of termination were not defined in the existing policy.

Recommendation

To better protect the interest of the Group, it is recommended that the Group should set up a mechanism over termination of investment. If the potential loss is expected to be incurred by an investment, or if any negative indicator is identified during regular review, termination of investment should be considered. Responsible personnel should be assigned to submit the termination of investment in writing to the management for written approval. All supporting documents should be properly filed for future reference.

The Group's response and follow up results

Management agreed to implement the recommendation.

The Group has adopted and established the relevant internal control policies and procedures of the Group as of 30 September 2023.

1.1.4 Policy and procedure over connected transaction and notifiable transaction yet to be enhanced

Findings

Under the current practice, BTCGL noted that the Group has established the Related Party & Connected Party Transactions Policy which has included general procedures for connected transaction. However, it was not comprehensive enough in regards to connected transaction and did not clearly specify the details of the following procedures:

- Identification of connected person;
- Identification of connected transaction (including checking of potential conflict of interest of director and key management when entering material transactions);
- Annual declaration of connected person and conflict of interest by director and key management;
- Definition of connected person; and
- Connected transaction disclosure procedure.

Besides, BTCGL noted that there was a lack of formal written procedure and guidelines in relation to notifiable transaction.

Recommendation

To ensure that the Group complies with the requirements of the Listing Rules, it is recommended that the Group should establish formal written procedures and guidelines in regard to notifiable transactions and connected transactions. Furthermore, the Group should ensure that the formal written procedures and guidelines are properly approved by management and circulated to all staff for implementation.

The Group's response and follow up results

Management agreed to implement the recommendation.

The Group has adopted and established the relevant internal control policies and procedures of the Group as of 30 September 2023.

1.2 Financial Reporting Cycle

1.2.1 Variance analysis between financial budget and actual financial performance figures not regularly prepared

Findings

Under the current practice, annual financial budget is prepared by the Financial Controller and reviewed by the directors.

However, during the course of internal control review, BTCGL noted that variance analyses between financial budget and actual financial performance figures was not regularly prepared by the Business Unit.

Recommendation

To better monitor the financial performance of the Business Unit and assist management in decision making, a comprehensive variance analysis between financial budget and actual financial performance figures should be prepared on a regular basis (such as semi-annually) to help management monitor the financial and operational performance of the Business Unit. Any substantial variances identified should be stated with reasons and followed up with the follow-up results properly documented. The management should also sign on the variance analysis reports as the written review evidence.

The Group's response and follow up results

Management agreed to implement the recommendation.

The finance department of the Group has prepared the semi-yearly variance analysis report and submitted to the board members.

1.2.2 Control over monthly management accounts and consolidated management accounts to be strengthened

Findings

Absence of written review evidence over monthly management accounts and consolidated management accounts

BTCGL noted that there was a lack of written review evidence over monthly consolidated management accounts and management accounts.

As such, it is difficult for management of the Business Units to distinguish whether monthly consolidated management accounts and management accounts have been properly reviewed by designated responsible personnel.

Absence of monthly financial updates to Board members

BTCGL noted that the Business Unit did not provide monthly updates to board members including executive directors and non-executive directors. Monthly financial updates should include financial-related information such as consolidated management accounts, etc..

Recommendation

To better protect the interests of the Business Units, it is recommended that monthly consolidated management accounts and monthly management accounts should be properly signed off or initialled by the designated responsible personnel as written evidence of review. All initialled monthly consolidated management accounts and monthly management accounts should be properly filed for future reference.

In order to better comply with the Code Provision D.1.2 of the Appendix 14 of the Listing Rules, it is recommended that the management should submit the consolidated financial statements and business-related information to the board members for review every month to enable management of the Business Units to closely monitor the operating performance of the Business Units in an efficient and effective manner. Proper action can be taken in a timely manner to help achieve the objectives of the Business Units.

The Group's response and follow up results

Management agreed to implement the recommendation.

The finance department of the Group has prepared the financial information of the Group and submitted to the board members on monthly basis since September 2023.

1.2.3 Policy and procedure over financial reporting yet to be enhanced

Findings

BTCGL noted that the Group has established the Accounting Policies with has provided the guideline and summary of significant accounting policies. However, it was not comprehensive enough in regard to financial reporting and did not clearly specify the details of the following procedures:

- Financial budget and variance analysis;
- Daily accounting procedure;
- Chart of accounts maintenance;
- Accounting closing;
- Preparation and reporting of financial statement;
- Bank reconciliation and related party transaction reconciliation;
- Accounts receivable and accounts payable aging analysis; and
- Bad debts recognition and provision.

In the absence of formal written policies and procedures in relation to the financial reporting cycle, the risk of occurrence of inconsistent business practice and procedures cannot be minimized.

Recommendation

To better protect the interests of the Business Units, it is recommended that the written policies and procedures in relation to the financial reporting should be established, and communicated to all levels of employees to ensure that the policies and procedures are strictly adhered to by all employees of the Business Units.

The Group's response and follow up results

Management agreed to implement the recommendation.

The Group has adopted and established the relevant internal control policies and procedures of the Group as of 30 September 2023.

VIEWS OF THE BOARD

Having considered the Internal Control Review Report and the remedial actions taken by the Group, in particular, BTCGL had performed follow-up reviews on the enhanced internal control measures adopted by the Group, the Board are of the view that (i) the above key internal control deficiencies have been remediated and the related risks have been managed to a reasonably acceptable level; and (ii) the remedial actions and improvement measures implemented by the Group are adequate and sufficient to address the key findings of the Internal Control Review Report.

By order of the Board
TOMO Holdings Limited
Ma Xiaoqiu

Chairlady and Executive Director

Hong Kong, 1 November 2023

As at the date hereof, the Board comprises Ms. Ma Xiaoqiu (Chairlady) and Mr. Tsang Chun Ho Anthony as executive Directors; Ms. Liu Xinyi, Ms. Chen Jun, Mr. Choi Tan Yee and Ms. Lyu Qiuqiu as non-executive Directors; and Mr. Jin Lailin, Mr. Cheng Wai Hei and Mr. Peng Peng as independent non-executive Directors.