MEDIC SKIN

MEDICSKIN HOLDINGS LIMITED
密迪斯肌控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8307)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

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

ANNUAL RESULTS

The board of Directors (the "**Board**") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2018 together with the comparative audited figures for the corresponding period of last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

		2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**57,793**	62,062
Other income, gains and losses		**1,155**	110
Inventories used		**(7,862)**	(8,269)
Staff costs		**(27,759)**	(31,100)
Depreciation of property, plant and equipment		**(4,176)**	(3,064)
Other expenses		**(15,623)**	(15,371)
Profit before tax	*5*	**3,528**	4,368
Income tax expense	*6*	**(1,241)**	(1,200)
Profit and total comprehensive income for the year		**2,287**	3,168
Profit (loss) and total comprehensive income (expenses) for the year attributable to:			
Owners of the Company		**2,533**	3,168
Non-controlling interests		**(246)**	–
		2,287	3,168
Earnings per share, basic *(HK cent)*	*8*	**0.53**	0.73
Earnings per share, diluted *(HK cent)*	*8*	**0.53**	0.73

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Non-current assets			
Property, plant and equipment		**52,616**	56,037
Rental deposits		**1,650**	2,421
Deposits paid for purchase of property, plant and equipment		**75**	172
		54,341	58,630
Current assets			
Inventories		**3,031**	3,699
Trade receivables	*9*	**279**	605
Other receivable, deposits and prepayments		**3,592**	1,269
Tax recoverable		**–**	67
Pledged bank deposits		**–**	8,500
Bank balances and cash		**18,746**	28,496
		25,648	42,636
Current liabilities			
Trade payables	*10*	**423**	985
Other payable and accrued liabilities		**2,403**	3,346
Deferred revenue		**15,895**	14,167
Tax payable		**65**	–
		18,786	18,498
Net current assets		**6,862**	24,138
Total assets less current liabilities		**61,203**	82,768
Non-current liability			
Deferred tax liability		**115**	170
		115	170
Net assets		**61,088**	82,598
Capital and reserves			
Share capital		**4,804**	4,804
Reserves		**55,765**	77,794
Equity attributable to owners of the Company		**60,569**	82,598
Non-controlling interests		**519**	–
Total equity		**61,088**	82,598

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 20 June 2014. The shares of the Company ("**Share(s)**") have been listed on GEM of the Stock Exchange since 18 December 2014. Its immediate and ultimate holding company is Topline Worldwide Limited, a company incorporated in British Virgin Islands with limited liability. Its ultimate controlling party is Dr. Kong Kwok Leung ("**Dr. Kong**"), who is also the chairman and executive Director of the Company. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Its principal place of business is located at 21st Floor, New World Tower II, 16-18 Queen's Road Central, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in the provision of medical skin care services in Hong Kong.

The functional currency of the Company is Hong Kong dollars, which is the same as the presentation currency of the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2021

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of approximately HK$5,283,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$2,774,000 and refundable rental deposits received of approximately HK$285,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 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. Adjustments to refundable rental deposits received would be considered as advance lease payments.

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

The Directors anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical basis at the end of each reporting period, as explained in the accounting policies set out below.

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. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

4. REVENUE AND SEGMENT INFORMATION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenue is recognised when the amount of revenue can be reliably measured; when it is probably that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities. The Group's operating activities are attributable to a single operating segment focusing on provision of consultation services ("**Consultation Service**"), prescription and dispensing of medication and/or skincare products including sale of skincare products ("**Prescription and Dispensing Service**") and provision of medical skin care treatments ("**Treatment Service**"). This operating segment has been identified on the basis of internal management reports prepared in accordance with the Group's accounting policies. Dr. Kong and Mr. Lo Kwok Bun, (before his resignation as the chief executive officer of the Company on 1 March 2018) 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 allocation of resources.

Other than revenue analysis, no operating results or 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 from major products and services

	2018	2017
	HK$'000	*HK$'000*
Consultation Service	**2,762**	3,768
Prescription and Dispensing Service	**21,075**	24,567
Treatment Service	**33,956**	33,727
	57,793	62,062

5. PROFIT BEFORE TAX

	2018	2017
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging:		
Auditor's remuneration	**626**	599
Allowance for inventories	**58**	29
Staff costs		
Directors' emoluments	**10,715**	5,655
Other staff costs		
– salaries, allowance and other benefits	**16,134**	23,850
– share-based payments	**419**	1,054
– contributions to retirement benefits schemes	**491**	541
	27,759	31,100
Depreciation of property, plant and equipment		
– owned assets	**4,176**	3,064

6. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Income tax expense comprises:		
Hong Kong Profits Tax		
Current year	**1,280**	1,180
Under(over) provision in prior years	**16**	(23)
	1,296	1,157
Deferred tax (credit) charge	**(55)**	43
	1,241	1,200

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the year.

7. DIVIDENDS

A final dividend of HK0.25 cent per Share and a special dividend of HK2.25 cents per Share in respect of the year ended 31 March 2016, amounting to HK$1,000,000 and HK$9,000,000 respectively, were approved by the shareholders of the Company (the "**Shareholders**") in the annual general meeting and distributed by the Company to the Shareholders during the year ended 31 March 2017.

A final dividend in respect of the year ended 31 March 2017 of HK0.2 cent per Share, amounting to HK$961,000, was approved by the Shareholders in the annual general meeting and distributed by the Company to the Shareholders during the year ended 31 March 2018.

On 5 December 2017, the Board of Directors (the "**Board**") resolved to declare the payment of a special dividend of HK5 cents per Share, amounting to HK$24,020,000 and which was distributed by the Company to the Shareholders during the year ended 31 March 2018.

Subsequent to the end of the reporting period, a final dividend of HK0.15 cent per Share in respect of the year ended 31 March 2018, amounting to approximately HK$721,000 has been proposed by the Board and is subject to approval by the Shareholders in the forthcoming general meeting.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per Share attributable to the owners of the Company is based on the following data:

	2018	2017
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per Share (profit for the year attributable to owners of the Company)	**2,533**	3,168
	'000	*'000*
Number of Shares:		
Weighted average number of ordinary Shares for the purpose of calculating basic earnings per Share	**480,400**	434,816
Effect of diluting potential ordinary Shares:		
Share options issued by the Company	**–**	265
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per Share	**480,400**	435,081

In current year, the computation of diluted earnings per Share does not assume the exercise of the Company's share options because the exercise price of those options were higher than the average market price of Shares for the year ended 31 March 2018.

9. TRADE RECEIVABLES

The following is an aged analysis of trade receivables net of allowance for bad and doubtful debts presented based on the trade dates for the receivables from the clients settling payments by credit cards and Easy Pay System and invoice dates for the receivables from the clients and medical card issuing companies at the end of the reporting period, which approximate the respective revenue recognition dates.

	2018	2017
	HK$'000	*HK$'000*
0–30 days	**259**	522
31–60 days	**20**	58
61–90 days	**–**	25
Total	**279**	605

The Group's trade receivables were not past due nor impaired at the end of the reporting period and were due from debtors which do not have historical default of payments.

10. TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
0–30 days	**382**	985
31–60 days	**41**	–
	423	985

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a medical skin care group operating two medical skin care centres branded "Medicskin" ("**Medicskin Centres**") at prime locations in Hong Kong that primarily focus on the treatment of skin diseases and problems and/or the improvement of appearance of clients. The Group provides services to clients for the treatment of, inter alia, skin diseases and problems such as acne, pigmentation, rosacea, dermatitis, eczema and warts, as well as for the improvement of appearance through, inter alia, skin rejuvenation, facial sculpturing and body contouring treatments, treatments of acne scars and enlarged pores, removal of undesirable naevi, and hair removal.

For the year ended 31 March 2018, the revenue of the Group decreased by approximately HK$4.3 million, or 6.9%, to approximately HK$57.8 million, when compared to the year ended 31 March 2017. The revenue of Consultation Service, Prescription and Dispensing Service and Treatment Service amounted to approximately HK$2.8 million, HK$21.0 million and HK$34.0 million which accounted for approximately 4.8%, 36.5%, and 58.7% of the total revenue of the Group respectively. More than half of the Group's revenue was derived from treatment service, which typically involves the injection of Botulinum Toxin Type A and hyaluronic acid, cauterisation, and treatments with the use of devices deploying technologies such as laser, radiofrequency and intense focused ultrasound. The decrease in revenue was primarily attributable to the decrease in the number of clients served by the Group and the number of visits by our clients due to increasing intensified competition in the industry. Approximately 85.4% of our clients were aged between 26 to 55, while approximately 90.8% of our clients were female. Most of the treatment service was performed by our doctors, with approximately 95.3% of the revenue from treatment service generated from treatments performed by our doctors at our Medicskin Centres.

Despite the Group recorded a drop in revenue, the Group's EBITDA increased by 4.1% from HK$7.4 million to HK$7.7 million. This was attributable to the immediate measures by the management of the Group to tighten cost control over operational expenditures and rental income generated from the self-owned property acquired by the Group in March 2017. The Group's net profit attributable to the Shareholders decreased by 21.9% from HK$3.2 million of last corresponding year to HK$2.5 million. The decrease of net profit was mainly due to an increase in depreciation expense of Group's self-owned property by HK$891,000. Basic earnings per Share for the year was HK0.53 cent as compared to HK0.73 cent per Share of last corresponding year.

On 8 June 2018, the Group had entered into a sale and purchase agreement with an independent third party to acquire 51% interest in a beauty spa, with the brand "Massada Medicspa" ("**Massada Medicspa**"), in Causeway Bay, which offering extensive range of professional services from medical skin care treatments to relaxing facial massages and body treatments in a luxurious and relaxing environment. Causeway Bay is a prime location in Hong Kong Island with pedestrian flow. The approximate size of the site is 1,600 sq ft. The Group is confident that the Massada Medicspa will attract more clients for a more geographically diverse customer base. The expansion will also help boost the Group's market penetration in the long term. The Causeway Bay Centre is expected to have its grand opening in late June 2018.

On 9 June 2018, the Group opened its anti-aging centre, with the brand "Ray Lui's Anti-aging & Health Management Centre" ("**Ray Lui Centre**"), in Tsim Sha Tsui. Ray Lui Centre is ultimately owned as to 51%, 43% and 6% by the Group, Mr. Lui Leung Wai, Ray ("**Mr. Lui**") and his spouse, and another independent third party, respectively. Mr. Lui is a well-known television and movie actor in Hong Kong and China with healthy and positive image. Ray Lui Centre aims to provide quality and comprehensive medical aesthetic treatment that helps our clients to stay healthy and young. A new skin care product line "Ray Lui by facematter" was established with four new skincare products launched, including youth recovery nourishing cream, serum, collagen face mask and firming eye mask. It is expected that more variety of skin care products will be launched in the market. Mr. Lui, as a strategic partner of the Group, will help the Group to promote the products and services of Ray Lui Centre and expand its business.

OUTLOOK

The proposed legislation by the government of Hong Kong to strengthen regulation and enhance standards, aiming to protect patients' safety and consumer rights as well as contribute to the sustainable development of the local healthcare system may introduce a change in compliance standards in connection with delivery of treatments, and ultimately bring higher level of confidence to customers, enhance the level of safety in the industry and increase the total spending in the market.

The Group will continue to keep abreast of the latest industry knowledge in order to offer the most suitable and updated services to our clients. The Group continuously performs market research on the development of, and evaluate the effects of the latest products, skills and treatment devices and technology. We believe that the introduction of new types of services and products is one of the driving forces for the growth of the Group's business and is a significant way to maintain the Group's competitiveness and its forefront position in the industry.

It is expected that the Group will continue face very high operating costs base from rental expenses and staff costs as well as intense competition in the industry. Leveraging the support of the capital market, our own strengths, and person's pursuing on physical appearance, the Group is cautiously confident about its development in the future. We will continue using its best endeavors to provide the highest quality medical skin care services and products to our clients and strengthening its market position so as to grow its brand and business and to maximise returns for our investors.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK$4.3 million, or 6.9%, from approximately HK$62.1 million for the year ended 31 March 2017 to approximately HK$57.8 million for the year ended 31 March 2018. The decrease was primarily attributable to the decrease in the number of clients served by the Group and the decrease in the number of visits by our clients due to increasing intensified competition in the industry.

Other income, gains and losses

Other income, gains and losses mainly represented rental income generated from the property in Causeway Bay (the "**Property**") acquired in March 2017, as set out in the announcements of the Company dated 24 January 2017 and 29 March 2017 and the circular of the Company dated 14 March 2017, of approximately HK$974,000 (2017: Nil).

Inventories used

The Group's cost of inventories used was approximately HK$7.9 million and approximately HK$8.3 million for the years ended 31 March 2018 and 2017 respectively, representing 13.7% and 13.4% of the revenue for the respective years.

Staff costs

Staff costs decreased by approximately HK$3.3 million, or 10.6%, from approximately HK$31.1 million for the year ended 31 March 2017 to approximately HK$27.8 million for the year ended 31 March 2018. The decrease was primarily attributable to the (i) decrease in share-based payments; (ii) decrease in performance related incentive payments paid to our doctors due to decline in revenue of the Group during the year; and (iii) reduction in the number of staff through natural attrition.

Depreciation of property, plant and equipment

Depreciation expenses increased by approximately HK$1.1 million or 35.5%, from approximately HK$3.1 million for the year ended 31 March 2017 to approximately HK$4.2 million for the year ended 31 March 2018. The increase was primarily attributable to the acquisition of the Property in March 2017

Other expenses

Other expenses remained stable at approximately HK$15.6 million and HK$15.4 million for the years ended 31 March 2018 and 2017 respectively.

Income tax expense

Income tax expense remained stable at approximately HK$1.2 million for the years ended 31 March 2018 and 2017 respectively.

Profit for the year

As a result of the foregoing, the profit for the year attributable to owners of the Company decreased by approximately HK$0.7 million, or 21.9%, from approximately HK$3.2 million for the year ended 31 March 2017 to approximately HK$2.5 million for the year ended 31 March 2018.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The capital of the Group only comprises ordinary Shares.

The total equity of the Group as at 31 March 2018 was approximately HK$61.1 million (2017: approximately HK$82.6 million). The Group generally financed its operation with internally generated cash flows. The Group had bank balances and cash of approximately HK$18.7 million as at 31 March 2018 (2017: approximately HK$28.5 million), with no external borrowing (2017: Nil). As at 31 March 2018, the Group had net current assets of approximately HK$6.9 million (2017: approximately HK$24.1 million).

Cash generated from operations for the year ended 31 March 2018 was approximately HK$7.7 million (2017: approximately HK$16.7 million). 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. As at 31 March 2018, the Group had unused banking facilities of HK$10.0 million (2017: HK$4.0 million).

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended 31 March 2018, there was no significant investment held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed above and in the prospectus issued by the Company dated 12 December 2014, the Group does not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2018.

COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of its office premises and the Medicskin Centres. As at 31 March 2018, the Group's operating lease commitments amounted to approximately HK$5.3 million (2017: approximately HK$11.3 million).

As at 31 March 2018, the Group had capital commitments in respect of acquisition of property, plant and equipment of approximately HK$175,000 (2017: HK$178,000).

CONTINGENT LIABILITIES

As at 31 March 2018, the Group did not have material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2018, the Group pledged leasehold land and building with carrying amount of approximately HK$47,566,000 to a bank to secure general banking facilities granted and credit card settlement services provided to the Group.

As at 31 March 2017, the Group pledged its bank balances of HK$8.5 million as securities for credit card settlement services provided by a bank to the Group and which was released during the year ended 31 March 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group employed a total of 37 full-time and 6 part-time employees (2017: 45 full-time and 3 part-time employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$27.8 million for the year ended 31 March 2018 (2017: approximately HK$31.1 million). Remuneration is determined with reference to factors such as comparable market salaries and the performance, time commitment and responsibilities of each individual. Employees are provided with relevant in-house and/or external trainings from time to time. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group. The Company has adopted a share option scheme (the "**Share Option Scheme**") on 3 December 2014 under which the Company may grant share options to eligible employees for subscribing the Shares.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 March 2018 ("**AGM**") will be held on Friday, 27 July 2018. A notice convening the meeting will be issued and sent to the Shareholders in due course.

DIVIDENDS

Details of the dividends declared and distributed by the Company during the year ended 31 March 2018 are set out in note 7.

The Board recommends the payment of a final dividend of HK0.15 cent per Share for the year ended 31 March 2018 to the Shareholders whose names appear on the register of members of the Company on Monday, 6 August 2018. Subject to the approval of the Shareholders at the AGM, the final dividend will be posted on Monday, 20 August 2018 by ordinary mail to the Shareholders.

As far as the Company is aware, as at the date of this announcement, there was no arrangement under which any Shareholder has waived or agreed to waive any dividend proposed to be distributed for the year ended 31 March 2018.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 24 July 2018 to Friday, 27 July 2018, both dates inclusive, during which period no transfer of Shares can be registered. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m on Monday, 23 July 2018.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 2 August 2018 to Monday, 6 August 2018, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at the above address for registration not later than 4:30 p.m on Wednesday, 1 August 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a good corporate governance standard, with the chairman being primarily responsible for establishing relevant practices and procedures. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate its business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen accountability to the Shareholders and creditors. Therefore the Board has reviewed and will continue to review and improve the Company's corporate governance practices from time to time.

The Company adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance and, save as disclosed below, the Board is satisfied that the Company had complied with the CG Code during the year 31 March 2018.

In accordance with provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual and their respective responsibilities should be clearly defined in writing. Dr. Kong is the chairman of the Board and the chief executive officer of the Company who is primarily responsible for providing leadership to the Board, overseeing the overall operation of the Group and leading and directing the Group's overall business and development strategies. Dr. Kong also chairs the Board and nomination committee (the "**Nomination Committee**") meetings and briefs the Board members and Nomination Committee members on the issues arising at the respective meetings to ensure that Directors receive adequate information in a timely manner which is accurate, clear, complete and reliable. He encourages all Directors to make full and active contribution to the Board's affairs and takes the lead to ensure that it acts in the Company's best interest. He aims to ensure constructive relations between executive and non-executive Directors. Being aware of the said deviation from code provision A.2.1, the Board believes that with the support of the management, vesting the roles of both chairman of the Board and the chief executive officer of the Company in Dr. Kong, the founder of the Group, can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. In addition, the Board is also supervised by three independent non-executive Directors. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group as the Board assumes collective responsibility on the decision-making process of the Company's business strategies and operation. The Directors will meet regularly to consider major matters affecting the operations of the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, 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. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 March 2018.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 3 December 2014 to provide incentive and/or to reward eligible persons for their contribution to, and continuing efforts to promote the interest of, the Group. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

As at 31 March 2018, no share options were outstanding under the Share Option Scheme.

EVENTS AFTER THE REPORTING PERIOD

On 8 June 2018, the Group had entered into a sale and purchase agreement with an independent third party to acquire 51% interest in Massada Medicspa, which offering extensive range of professional services from medical skin care treatments to relaxing facial massages and body treatments in a luxurious and relaxing environment.

On 9 June 2018, the Group opened its anti-aging centre, with the brand "Ray Lui's Anti-aging & Health Management Centre", in Tsim Sha Tsui. Ray Lui Centre is ultimately owned as to 51%, 43% and 6% by the Group, Mr. Lui and his spouse, and another independent third party, respectively. Ray Lui Centre aims to provide quality and comprehensive medical aesthetic treatment that helps our clients to stay healthy and young.

AUDIT COMMITTEE

The Company had established its audit committee (the "**Audit Committee**") on 3 December 2014 with written terms of reference in compliance with the GEM Listing Rules. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company. 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 currently consists of three independent non-executive Directors, namely, Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung. Mr. Chan Cheong Tat is the chairman of the Audit Committee.

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 March 2018 and this announcement and is of the view that such results complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure had been made. The Audit Committee has also reviewed the effectiveness of the internal control system of the Group.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF INFORMATION ON WEBSITES

This results announcement is available for viewing on the website of Stock Exchange at www.hkexnews.hk and on the website of the Company at www.medicskin.com. The annual report of the Company for the year ended 31 March 2018 containing the information required by the GEM Listing Rules will be dispatched to the Shareholders in due course.

By the Order of the Board
Medicskin Holdings Limited
Dr. Kong Kwok Leung
Chairman and Executive Director

Hong Kong, 15 June 2018

As at the date of this announcement, the executive Directors are Dr. Kong Kwok Leung, Ms. Tsui Kan, Ms. Kong Chung Wai and Ms. Sin Chui Pik Christine, and the independent non-executive Directors are Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung.

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

This announcement will remain on the "Latest Company Announcements" page of the GEM's website at www.hkgem.com for at least 7 days from the day of its posting. This announcement will also be published on the Company's website at www.medicskin.com.