

# 2019/2020 THIRD QUARTERLY REPORT



# 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

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## UNAUDITED THIRD QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to report the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the nine months ended 31 December 2019 together with the comparative unaudited figures for the corresponding period of last year as follows:

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

For the three months and nine months ended 31 December 2019

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	3	12,704	13,597	38,562	38,591
Other income, gains and losses		396	233	458	139
Inventories used		(2,318)	(2,171)	(6,195)	(5,914)
Staff costs		(5,920)	(6,430)	(18,453)	(19,044)
Depreciation of property, plant and equipment		(730)	(1,226)	(2,112)	(3,373)
Depreciation of right-of-use assets		(1,909)	–	(5,725)	–
Other expenses	4	(2,676)	(4,621)	(7,860)	(16,166)
Interest expenses on lease liabilities		(199)	–	(664)	–
Loss before tax		(652)	(618)	(1,989)	(5,767)
Income tax expense	5	(76)	81	(165)	(29)
Loss for the period		(728)	(537)	(2,154)	(5,796)
Other comprehensive loss for the period <i>Item that may be classified subsequently to profit or loss:</i> Exchange differences arising from translation of foreign operations		19	–	(45)	–
		(709)	(537)	(2,199)	(5,796)
Loss for the period attributable to:					
Owners of the Company		(255)	(53)	(906)	(3,065)
Non-controlling interests		(473)	(484)	(1,248)	(2,731)
		(728)	(537)	(2,154)	(5,796)
Total comprehensive loss for the period attributable to:					
Owners of the Company		(248)	(53)	(931)	(3,065)
Non-controlling interests		(461)	(484)	(1,268)	(2,731)
		(709)	(537)	(2,199)	(5,796)
Loss per share, basic (HK cent)	7	(0.05)	(0.01)	(0.19)	(0.64)
Loss per share, diluted (HK cent)	7	(0.05)	(0.01)	(0.19)	(0.64)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2019

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Share options reserve	Exchange reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2019 (audited)	4,857	51,210	502	14	1,399	57,982	(2,893)	55,089
Loss for the period	-	-	-	-	(906)	(906)	(1,248)	(2,154)
Other comprehensive loss for the period	-	-	-	(25)	-	(25)	(20)	(45)
Total comprehensive loss for the period	-	-	-	(25)	(906)	(931)	(1,268)	(2,199)
Recognition of equity-settled share-based payments	-	-	188	-	-	188	-	188
Dividends recognised as distribution (note 6)	-	(19,429)	-	-	-	(19,429)	-	(19,429)
At 31 December 2019 (unaudited)	4,857	31,781	690	(11)	493	37,810	(4,161)	33,649
At 31 March 2018 (audited)	4,804	48,443	-	-	7,322	60,569	519	61,088
Effect arising from initial application of HKFRS 15	-	-	-	-	278	278	-	278
At 1 April 2018 (restated)	4,804	48,443	-	-	7,600	60,847	519	61,366
Loss and total comprehensive loss for the period	-	-	-	-	(3,065)	(3,065)	(2,731)	(5,796)
Recognition of equity-settled share-based payments	-	-	226	-	-	226	-	226
Issue of shares (note)	53	2,775	-	-	-	2,828	-	2,828
Transaction costs attributable to issue of shares	-	(3)	-	-	-	(3)	-	(3)
Dividends recognised as distribution (note 6)	-	-	-	-	(721)	(721)	-	(721)
At 31 December 2018 (unaudited)	4,857	51,215	226	-	3,814	60,112	(2,212)	57,900

Note: On 17 September 2018, the Company issued 5,336,000 shares at HK\$0.53 per share for a total gross proceeds of approximately HK\$2,828,000.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the nine months ended 31 December 2019*

### 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Group's condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. Other than changes in accounting policies resulting from application of new HKFRSs, the principal accounting policies used in the condensed consolidated financial statements for the nine months ended 31 December 2019 are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2019. The condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee (the "**Audit Committee**") of the Company.

The HKICPA has issued a number of new and amendments to HKFRSs. For those which are effective for accounting period beginning on 1 April 2019, except for those as described below, the application of which has no material impact on the Group's financial performance and positions for the current and/or prior accounting periods. For those which are not yet effective, the Directors anticipate that the application of such other new and revised HKFRSs will have no material impact on the Group's financial statements.

## 2. IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (“HKFRS 16”)

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

### 2.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

#### Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### As a lessee

##### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of office premises and medical equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straightline basis over the lease term.

##### *Right-of-use assets*

Except for short-term leases and leases of low-value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased asset at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

*Refundable rental deposits*

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

*Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

#### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

#### *Taxation*

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.



## 2.2 **Transition and summary of effects arising from initial application of HKFRS 16**

### **Definition of a lease**

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases by applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

### **As a lessee**

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ending within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis; and
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised right-of-use assets of HK\$20,390,000 and lease liabilities of HK\$20,022,000 at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application.

### 3. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents revenue arising from the 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 the provision of skin care treatments ("Treatment Service") during the period.

#### Disaggregation of revenue from contracts with customers:

	Three months ended		Nine months ended	
	31 December		31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Consultation Service	340	468	1,213	1,407
Prescription and Dispensing Service	4,068	4,640	11,821	13,205
Treatment Service	8,296	8,489	25,528	23,979
	<b>12,704</b>	13,597	<b>38,562</b>	38,591

The Group's operating activities are attributable to a single operating segment focusing on Consultation Service, Prescription and Dispensing Service and 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 Kwok Leung ("Dr. Kong"), the chief executive officer of the Company, has been identified as the chief operating decision maker ("CODM"). The CODM reviews 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 reviews 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.

### 4. OTHER EXPENSES

	Three months ended		Nine months ended	
	31 December		31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Property lease rentals and related expenses	(464)	(2,096)	(1,306)	(6,181)
Marketing expenses (including endorsement fee)	(581)	(611)	(1,536)	(4,256)
Payment platforms service charges	(320)	(321)	(958)	(897)
Listing, legal and professional fees	(445)	(464)	(1,234)	(1,777)
Other operating expenses	(866)	(1,129)	(2,826)	(3,055)
	<b>(2,676)</b>	(4,621)	<b>(7,860)</b>	(16,166)

## 5. INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	31 December	2018	31 December	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Income tax expense				
comprises of:				
Hong Kong Profits Tax				
Current year	70	–	159	110
Underprovision in prior years	6	34	6	34
Deferred tax credit	–	(115)	–	(115)
	<b>76</b>	<b>(81)</b>	<b>165</b>	<b>29</b>

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduced the two-tiered profit tax rates regime. The Bill was gazetted on 29 March 2018.

Under the two tiered profits tax rates regime, the first HK\$2.0 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2.0 million will be taxed at 16.5%. For the nine months ended 31 December 2018 and 2019, Hong Kong Profits Tax of the qualified entity is calculated in accordance with the two-tiered profits tax rates regime. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

## 6. DIVIDENDS

A final dividend in respect of the year ended 31 March 2018 of HK0.15 cent per share, amounting to approximately HK\$721,000, was approved by the shareholders of the Company (the “**Shareholders**”) in the annual general meeting of the Company held on 27 July 2018 and distributed by the Company to the Shareholders during the nine months ended 31 December 2019.

On 21 June 2019, the Board resolved to declare the payment of a special dividend of HK4 cents per share of the Company, amounting to HK\$19,429,000, which was distributed by the Company to the Shareholders on 26 July 2019.

The Board does not recommend the payment of an interim dividend for the nine month ended 31 December 2019 (2018: Nil).

## 7. LOSS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

Three months ended 31 December 2019		Nine months ended 31 December 2019	
HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)

### Loss:

Loss for the purpose of calculating basic and diluted loss per share (loss for the period attributable to owners of the Company)

<b>(255)</b>	(53)	<b>(906)</b>	(3,065)
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Three months ended 31 December 2019		Nine months ended 31 December 2019	
'000	2018 '000	'000	2018 '000

### Number of shares:

Weighted average number of ordinary shares for the purpose of calculating basic loss per share

<b>485,736</b>	485,736	<b>485,736</b>	482,457
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### Effect of diluting potential ordinary shares:

Share options issued by the Company

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Weighted average number of ordinary shares for the purpose of calculating diluted loss per share

<b>485,736</b>	485,736	<b>485,736</b>	482,457
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For the three and nine months ended 31 December 2018 and 2019, the computation of diluted loss per share does not assume the exercise of the Company's share options since their assumed exercise would result in a decrease in loss per share.

## 8. EVENTS AFTER THE REPORTING PERIOD

There was no significant event occurred after the reporting period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is a medical skin care service provider in Hong Kong. Currently, the Group operates two “Medicskin” branded medical skin care centres (“**Medicskin Centres**”), one anti-aging centre and one beauty spa, at prime locations in Hong Kong. Medicskin Centres primarily focus on the treatment of skin diseases and problems and/or the improvement of appearance of clients.

For the nine months ended 31 December 2019, the revenue of the Group remained stable at approximately HK\$38.6 million. The revenue of Consultation Service, Prescription and Dispensing Service and Treatment Service amounted to approximately HK\$1.2 million, HK\$11.8 million and HK\$25.6 million, which accounted for approximately 3.1%, 30.7%, and 66.2% 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, thread lifting and treatments with the use of devices deploying technologies such as laser, radiofrequency and intense focused ultrasound. Most of the Treatment Service was performed by doctors, with approximately 72.2% of the revenue from Treatment Service generated from treatments performed by doctors at the Group’s centres.

The Group recorded a loss attributable to owners of the Company of approximately HK\$0.9 million for the nine months ended 31 December 2019, representing a decrease of approximately 71.0% from that of approximately HK\$3.1 million for the nine months ended 31 December 2018. The loss of the corresponding period of last year was mainly attributable to the effect of the initial startup expenses and additional costs of approximately HK\$4.4 million incurred by the Group on the development of its anti-aging centre located in Tsim Sha Tsui which commenced formal operation in June 2018. Basic loss per share for the period was HK0.19 cent, representing a decrease of approximately 70.3% from that of HK0.64 cent for the corresponding period of last year.

On 29 January 2019, the Company entered into a provisional sale and purchase agreement (the “**Provisional Agreement**”) with an independent third party purchaser, pursuant to which the Company had agreed to sell the entire issued share capital of Golden Dickson (HK) Limited (“**Golden Dickson**”), a property holding company and a then wholly-owned subsidiary of the Company, which held a property located in Causeway Bay, and the shareholder’s loan owed by Golden Dickson to the Company, for a consideration of HK\$46.0 million (the “**Disposal**”). Details of the Disposal are set out in the announcements issued by the Company dated 29 January and 31 May 2019, the circular of the Company dated 18 April 2019, the 2018/19 annual report of the Company dated 21 June 2019 and the 2019/20 interim report of the Company dated 13 November 2019. All the conditions precedent under the Provisional Agreement had been fulfilled and the completion took place on 31 May 2019. Loss from disposal of a subsidiary of approximately HK\$17,000 was recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the nine months ended 31 December 2019.

## **OUTLOOK**

The Group will continue to keep abreast of the latest industry knowledge in order to offer the most suitable, safe and updated services to clients. The Group continuously performs market research on the development of, and evaluates the effects of latest products, skills and treatment devices and technologies in the market. The Directors 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 effective way to maintain the Group’s competitiveness and its forefront position in the industry.

In view of the social incidents in Hong Kong and the recent outbreak of novel coronavirus, the outlook of Hong Kong’s economy, especially the retail sales sector, is not optimistic. The Group will therefore remain cautious on its business strategy. To cope with the challenges ahead, the Group will continue to concentrate on exploring and launching new types of services and products and identifying new business opportunities, in order to deliver value to both clients and the Shareholders.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue remained stable at approximately HK\$38.6 million for the nine months ended 31 December 2019 and 2018.

### **Other income, gains and losses**

Other income and gains increased by approximately HK\$0.4 million, or 400.0%, from approximately HK\$0.1 million for the nine months ended 31 December 2018 to approximately HK\$0.5 million for the nine months ended 31 December 2019. The increase was primarily attributable to the increase in bank interest income.

### **Inventories used**

The Group's cost of inventories was approximately HK\$6.2 million and HK\$5.9 million for the nine months ended 31 December 2019 and 2018 respectively, representing 16.1% and 15.3% of the Group's revenue for the respective periods.

### **Staff costs**

Staff costs decreased by approximately HK\$0.5 million, or 2.6%, from approximately HK\$19.0 million for the nine months ended 31 December 2018 to approximately HK\$18.5 million for the nine months ended 31 December 2019. The decrease was primarily attributable to the decrease in performance related incentive payments paid to doctors due to the decline in revenue generated by doctors during the period.

## **Depreciation of property, plant and equipment**

Depreciation of property, plant and equipment decreased by approximately HK\$1.3 million, or 38.2%, from approximately HK\$3.4 million for the nine months ended 31 December 2018 to approximately HK\$2.1 million for the nine months ended 31 December 2019. The decrease was primarily attributable to the disposal of Golden Dickson which was completed on 31 May 2019.

## **Depreciation of right-of-use assets**

Depreciation of right-of-use assets increased by approximately HK\$5.7 million. The increase was primarily attributable to the adoption of HKFRS 16, which came into effect on 1 April 2019. Correspondingly, there was a similar decrease in property lease rentals under other expenses.

## **Other expenses**

Other expenses decreased by approximately HK\$8.3 million, or 51.2%, from approximately HK\$16.2 million for the nine months ended 31 December 2018 to approximately HK\$7.9 million for the nine months ended 31 December 2019. The decrease was primarily attributable to (i) the decrease in property lease rentals due to the adoption of HKFRS 16 of approximately HK\$5.0 million, and (ii) the decrease in marketing expenses (including endorsement fee) of approximately HK\$2.7 million of the anti-aging centre which commenced operation in June 2018.

## **Income tax expense**

Income tax expense increased by approximately HK\$136,000, or 469.0%, from approximately HK\$29,000 for the nine months ended 31 December 2018 to approximately HK\$165,000 for the nine months ended 31 December 2019. The increase was primarily attributable to the absence of deferred tax credit in respect of temporary differences on property, plant and equipment of HK\$115,000 in the current period.

## **Loss for the period**

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company for the nine months ended 31 December 2019 of approximately HK\$0.9 million, representing a decrease of approximately 71.0% from that of approximately HK\$3.1 million for the nine months ended 31 December 2018.



## DISCLOSURE OF INTERESTS

### (A) DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register maintained 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 Rule 5.46 to 5.67 of the GEM Listing Rules were as follows:

#### Long position

##### (a) *Ordinary shares of the Company*

Name of Director	Capacity/ Nature of interest	Number of shares	Percentage of issued share capital
Dr. Kong <sup>(note)</sup>	Interest in a controlled corporation	274,865,400	56.59%

*Note:* The 274,865,400 shares are registered in the name of Topline Worldwide Limited (“**Topline**”), which is wholly-owned by Dr. Kong. Under the SFO, Dr. Kong is deemed to be interested in all the shares of the Company registered in the name of Topline.

**(b) Options to subscribe for ordinary shares of the Company**

Particulars of the Directors' interests in the share option scheme of the Company (the "Share Option Scheme") were as follows:

Name of Director	Grant date	Exercise price per share	Vesting period	Exercise period	Number of share options		
					As at 1.4.2019	Granted during the period	As at 31.12.2019
Kong Chung Wai	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	200,000	-	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	400,000	-	400,000
	15.08.2018	0.433	15.08.2018 – 14.08.2020	15.08.2020 – 14.08.2022	200,000	-	200,000
Sin Chui Pik Christine	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	200,000	-	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	400,000	-	400,000
	15.08.2018	0.433	15.08.2018 – 14.08.2020	15.08.2020 – 14.08.2022	200,000	-	200,000
Chan Cheong Tat	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	200,000	-	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	200,000	-	200,000
Lee Ka Lun	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	200,000	-	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	200,000	-	200,000
Leung Siu Cheung	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	200,000	-	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	200,000	-	200,000
					2,800,000	-	2,800,000

Save as disclosed above, as at 31 December 2019, none of the Directors or 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.

## (B) SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

### Long position in the ordinary shares of the Company

Name	Capacity/ Nature of interest	Number of shares	Percentage of issued share capital
Topline <sup>(note a)</sup>	Beneficial owner	274,865,400	56.59%
Rich Unicorn <sup>(note b)</sup>	Beneficial owner	80,000,000	16.47%
Fullshare <sup>(note b)</sup>	Interest in a controlled corporation	80,000,000	16.47%
Magnolia Wealth <sup>(note b)</sup>	Interest in a controlled corporation	80,000,000	16.47%
Mr. Ji <sup>(note b)</sup>	Interest in a controlled corporation	80,000,000	16.47%

Notes:

- (a) The entire issued share capital of Topline is beneficially owned by Dr. Kong. Therefore, Dr. Kong is deemed to be interested in all the shares of the Company held by Topline.
- (b) Rich Unicorn Holdings Limited ("**Rich Unicorn**"), a company incorporated in the British Virgin Island with limited liability, is beneficially owned by Fullshare Holdings Limited ("**Fullshare**") whose issued shares are listed on the Stock Exchange (stock code: 607). Fullshare is in turn owned as to 38.65% by Magnolia Wealth International Limited ("**Magnolia Wealth**"), a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Ji Changqun ("**Mr. Ji**"). In addition, Mr. Ji holds 4.61% of Fullshare directly as the beneficial owner. Therefore, Fullshare, Magnolia Wealth and Mr. Ji are deemed to be interested in all the shares held by Rich Unicorn.

Save as disclosed above, as at 31 December 2019, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under section 336 of the SFO.

## COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling Shareholders of the Company nor any of their respective close associates (as defined under the GEM Listing Rules) that competes or may compete, either directly or indirectly, with the business of the Group, or of any other conflicts of interest which any such person has or may have with the Group during the nine months ended 31 December 2019.

## CORPORATE GOVERNANCE CODE

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. Except the deviation stipulated below, the Board is satisfied that the Company had complied with the CG Code during the nine months ended 31 December 2019.

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 the 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 nine months ended 31 December 2019.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the nine months ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **SHARE OPTIONS 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.

On 15 August 2018, an aggregate of 4,000,000 share options were granted to certain Directors and certain employees of the Group. No share options were exercised, cancelled or lapsed during the nine months ended 31 December 2019. As at the date of this report, there were 4,000,000 outstanding share options in aggregate, of which 3,300,000 share options have vested and are issuable for 3,300,000 ordinary shares of the Company under the Share Option Scheme. Details of such outstanding options are the same as disclosed in the 2019/2020 interim report of the Company dated 13 November 2019.

## AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the GEM Listing Rules. 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 unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2019 and this report 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.

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

Hong Kong, 13 February 2020

*As at the date of this report, 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.*