

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

The image shows the interior of a MedicSkin Medical Skincare Centre. A prominent feature is a curved reception desk with a bright yellow back wall. On the wall, the MedicSkin logo and the text 'MEDICAL SKINCARE CENTRE' are visible. To the left of the desk, there is a basket of colorful flowers. To the right, there are shelves displaying various skincare products. In the foreground, a white medical treatment chair is positioned, and a table with more products is visible. The overall design is modern and clean, with a color palette of yellow, white, and dark wood tones. Large, stylized graphic elements in yellow, orange, and red are overlaid on the image, particularly on the left and bottom edges.

MEDIC  SKIN
— MEDICAL SKINCARE CENTRE —

2020/2021

FIRST QUARTERLY REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, 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 report 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 report misleading.*

UNAUDITED FIRST 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 three months ended 30 June 2020 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 ended 30 June 2020

		Three months ended 30 June	
	Notes	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	2	10,372	13,098
Other income, gains and losses	3	1,537	(86)
Inventories used		(1,690)	(1,921)
Staff costs		(4,658)	(6,340)
Depreciation of right-of-use assets		(1,908)	(1,908)
Depreciation of property, plant and equipment		(641)	(673)
Other expenses	4	(1,828)	(2,592)
Interest expenses on lease liabilities		(153)	(243)
Profit (loss) before tax		1,031	(665)
Income tax expense	5	–	(89)
Profit (loss) for the period		1,031	(754)
Other comprehensive income (loss) for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>		52	(28)
		1,083	(782)
Profit (loss) for the period attributable to:			
Owners of the Company		873	(387)
Non-controlling interests		158	(367)
		1,031	(754)
Total comprehensive profit (loss) attributable to:			
Owners of the Company		888	(400)
Non-controlling interests		195	(382)
		1,083	(782)
Profit (loss) per share, basic (HK cent)	7	0.18	(0.08)
Profit (loss) per share, diluted (HK cent)	7	0.18	(0.08)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2020

	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 2020 (audited)	4,857	31,781	707	(19)	(1,838)	35,488	(5,087)	30,401
Profit for the period	-	-	-	-	873	873	158	1,031
Other comprehensive income for the period	-	-	-	15	-	15	37	52
Total comprehensive income for the period	-	-	-	15	873	888	195	1,083
Recognition of equity-settled share-based payments	-	-	17	-	-	17	-	17
Repurchase of ordinary shares	(800)	(10,204)	-	-	-	(11,004)	-	(11,004)
Disposal of a subsidiary	-	-	-	-	-	-	1,167	1,167
At 30 June 2020 (unaudited)	4,057	21,577	724	(4)	(965)	25,389	(3,725)	21,664
At 1 April 2019 (audited)	4,857	51,210	502	14	1,399	57,982	(2,893)	55,089
Loss for the period	-	-	-	-	(387)	(387)	(367)	(754)
Other comprehensive loss for the period	-	-	-	(13)	-	(13)	(15)	(28)
Total comprehensive loss for the period	-	-	-	(13)	(387)	(400)	(382)	(782)
Recognition of equity-settled share-based payments	-	-	109	-	-	109	-	109
Dividend recognised as distribution (note 6)	-	(19,429)	-	-	-	(19,429)	-	(19,429)
At 30 June 2019 (unaudited)	4,857	31,781	611	1	1,012	38,262	(3,275)	34,987

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2020

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 three months ended 30 June 2020 are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2020. 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 2020, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior accounting periods and/or on the disclosures set out in these condensed consolidated financial statements. For those which are not yet effective, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the Group's financial statements in the foreseeable future.

2. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents revenue arising from the provision of medical consultation services ("**Medical Consultation Service**"), prescription and dispensing of medication and/or skincare products including sale of skin care 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	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Medical Consultation Service	284	451
Prescription and Dispensing Service	2,240	4,032
Treatment Service	7,848	8,615
	10,372	13,098

The Group's operating activities are attributable to a single operating segment focusing on Medical 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.

Geographical information

The Group's operations are located in Hong Kong. All of the Group's revenue from external customers based on the location of the Group's operations is from Hong Kong.

The geographical locations of the Group's non-current assets are mostly situated in Hong Kong based on physical location of assets.

Information about major customers

During each of the three months ended 30 June 2020 and 2019, there was no revenue from any customer who individually contributing over 10% of the total revenue of the Group.

3. OTHER INCOME, GAINS AND LOSSES

	Three months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
Interest income on bank deposits	208	36
Interest income on rental deposits	35	33
Net foreign exchange gain (loss)	11	(176)
Government subsidies	592	–
Gain on disposal of a subsidiary	691	–
Others	–	21
	<hr/>	<hr/>
	1,537	(86)

4. OTHER EXPENSES

	Three months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
Property lease rentals and related expenses	400	336
Marketing expenses (including endorsement fee)	48	541
Payment platforms service charges	230	325
Listing, legal and professional fees	361	356
Other operating expenses	789	1,034
	<hr/>	<hr/>
	1,828	2,592

5. INCOME TAX EXPENSE

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 entity will be taxed at 8.25%, and profits above HK\$2.0 million will be taxed at 16.5%. For the three months ended 30 June 2020 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%.

Three months ended	
30 June	
2020	2019
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Income tax expense comprises of:

Hong Kong Profits Tax

Current period

–

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6. DIVIDEND

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 of the Company (the “**Shareholders**”) on 26 July 2019.

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2020 (2019: Nil).

7. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Three months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings (loss):		
Earnings (loss) for the purpose of calculating basic and diluted earnings (loss) per share (profit (loss) for the period attributable to owners of the Company)	873	(387)
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	472,549	485,736
Effect of diluting potential ordinary shares:		
Share options issued by the Company	–	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings (loss) per share	472,549	485,736

For the three months ended 30 June 2020 and 2019, the computation of diluted earnings/loss per share does not assume the exercise of the Company's share options since their exercise price is higher than the average market price for both periods.

8. EVENTS AFTER THE REPORTING PERIOD

As a new measure to control the spread of the COVID-19 virus, the Government of the Hong Kong Special Administrative Region (the "Government") announced and implemented on 13 July 2020 tightened restrictions on public gatherings and ordered 12 types of venue closures, including suspending the operation of beauty parlours commencing on 15 July 2020, of which the Government will continue to review the situation. Despite the fact that the Group's business mainly focuses on medical procedures and medical treatments performed by doctor-operated clinics, certain non-medical beautifying services were affected. It is expected that the business environment will be challenging in the near term until the spread of the COVID-19 virus is effectively contained.

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 and one anti-aging centre, at prime locations in Hong Kong, which 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. Most of the clients are long standing customers of the Group and have been with the Group for more than 5 years. These are achieved through the provision of:

- (i) Medical Consultation Service – performance of medical examination and making a diagnosis of skin conditions of clients through private consultations and making recommendations on the use of skincare products and/or treatment service based on clients’ specific needs, requirements and skin conditions;
- (ii) Prescription and Dispensing Service – prescription and dispensing of pharmaceutical products, medicines and/or skincare products to clients; and
- (iii) Treatment Service – provision of non-invasive/minimally invasive treatment service for clients, 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.

For the three months ended 30 June 2020, the revenue of the Group decreased by HK\$2.7 million, or 20.6%, to HK\$10.4 million, when compared to the three months ended 30 June 2019. The revenue of Medical Consultation Service, Prescription and Dispensing Service and Treatment Service amounted to HK\$0.3 million, HK\$2.2 million and HK\$7.9 million which accounted for 2.7%, 21.6%, and 75.7% of the total revenue of the Group, respectively.

Since the beginning of the year 2020, the outbreak of the COVID-19 virus in Hong Kong has further dampened the Hong Kong economy and weakened clients' desire or willingness to undergo medical skin care treatments as a result of the promotion of social distancing measures which in turn adversely affected the revenue of the Group. Moreover, as a measure to control the spread of the COVID-19 virus, the Government announced and implemented on 8 April 2020 restrictions on public gatherings and ordered entertainment venue closures, as well as suspending the operation of beauty parlours for 28 days from 10 April to 7 May 2020. Despite the fact that the Group's business mainly focuses on medical procedures and medical treatments performed by doctor-operated clinics, certain non-medical beautifying services were affected. Nevertheless, the Group has adopted more stringent cost control measures and the Group's operating expenses have decreased due to a decline in variable costs such as performance related incentive payments paid to medical practitioners and costs of inventories used, as well as a decline in marketing expenses (including endorsement fee due to termination of an endorsement contract which expired in February 2020) of its anti-aging centre and beauty spa. In view of the prioritization of the safety of both its clients and employees, the Group's centres have taken preventive measures to promote a safe and hygienic environment for clients and minimise the risk of contracting and spreading the COVID-19 virus. To cope with the unfavourable changes in economic and business environment, the Group is now providing consultation services through video-conference and offering delivery services for its skincare and medical products.

The Group recorded a profit attributable to owners of the Company of HK\$0.9 million for the three months ended 30 June 2020, as compared to a loss attributable to owners of the Company of HK\$0.4 million for the three months ended 30 June 2019. The turn from loss position to profit was mainly attributable to the combined effect of the gain from disposal of 51% equity interest in Success Guide Limited (“**Success Guide**”), the holding company of MS Medicspa Limited (“**MS Medicspa**”) which is engaged in the provision of beauty spa services, of HK\$0.7 million; and subsidies received from the Anti-epidemic Fund of the Government credited to the consolidated statement of profit or loss of the Group during the three months ended 30 June 2020 of HK\$0.6 million in aggregate. Basic earnings per share for the period was HK0.18 cent as compared to basic loss per share of HK0.08 cent for the corresponding period of last year.

OUTLOOK

The Group will continue to keep abreast of the latest industry knowledge in order to offer the most suitable and updated services to its clients. The Group performs on a regular basis market research on the development of, and evaluate the effects of the latest products, skills and treatment devices and technology in the market. The Group believes 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 to face the adverse impact from the COVID-19 pandemic in the months ahead. On 13 July 2020, the Government announced and implemented tightened restrictions on public gatherings and closure and suspension of operations of various venues, including beauty parlours, commencing from 15 July 2020, subject to the continuing review of the Government on the situation of the outbreak. Nevertheless, leveraging on a healthy balance sheet, an established customer base and renowned reputation in the industry, and the Group’s continued efforts in maximising revenue whilst improving operating efficiency, the Directors believe that the Group is well prepared to weather the anticipated economic downturn and is cautiously confident about its development in the future. The Group will continue to use its best endeavours to provide the highest quality medical skin care services and products to its clients and strengthening its market position so as to grow its brand and business and to maximise returns for its investors.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by HK\$2.7 million, or 20.6%, from HK\$13.1 million for the three months ended 30 June 2019 to HK\$10.4 million for the three months ended 30 June 2020. 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 its clients due to the outbreak of the COVID-19 virus in Hong Kong.

Other income, gains and losses

Net other income and gains increased by HK\$1.5 million, from net losses of HK\$86,000 for the three months ended 30 June 2019 to HK\$1.5 million for the three months ended 30 June 2020. The increase was primarily attributable to the gain from disposal of 51% equity interest in Success Guide of HK\$0.7 million; and subsidies received from the Anti-epidemic Fund of the Government of Hong Kong credited to the consolidated statement of profit or loss of the Group during the three months ended 30 June 2020 of HK\$0.6 million in aggregate.

Inventories used

The Group's cost of inventories used was HK\$1.7 million and HK\$1.9 million for the three months ended 30 June 2020 and 2019, respectively, representing 16.3% and 14.5% of the revenue for the respective periods.

Staff costs

Staff costs decreased by HK\$1.6 million, or 25.4%, from HK\$6.3 million for the three months ended 30 June 2019 to HK\$4.7 million for the three months ended 30 June 2020. The decrease was primarily attributable to the decrease in performance related incentive payments paid to medical practitioners due to decline in revenue generated by medical practitioners during the period.

Depreciation of right-of-use assets

Depreciation of right-of-use assets remained stable at HK\$1.9 million for the three months ended 30 June 2020 and 2019, respectively.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment remained stable at HK\$0.6 million and HK\$0.7 million for the three months ended 30 June 2020 and 2019, respectively.

Other expenses

Other expenses decreased by HK\$0.8 million, or 30.8%, from HK\$2.6 million for the three months ended 30 June 2019 to HK\$1.8 million for the three months ended 30 June 2020. The decrease was primarily attributable to the decrease in marketing expenses of its anti-aging centre and MS Medicspa of HK\$0.5 million in aggregate in the current period.

Income tax expense

Income tax expense decreased by HK\$0.1 million, or 100.0%, from HK\$0.1 million for three months ended 30 June 2019 to nil for three months ended 2020. The decrease was in line with the decrease in profit before tax, excluding the effect of non-taxable income such as interest income on bank deposits, government grants and gain on disposal of a subsidiary.

Profit/loss for the period

As a result of the foregoing, the Group recorded a profit attributable to owners of the Company of HK\$0.9 million for the three months ended 30 June 2020, as compared to a loss attributable to owners of the Company of HK\$0.4 million for the three months ended 30 June 2019.

DISCLOSURE OF INTERESTS

(A) DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, 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 (Cap. 571 of the Laws of Hong Kong) (the "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 Rules 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 ^(note)	Interest in a controlled corporation	274,865,400	67.74%

Note: The 274,865,400 shares of the Company are registered in the name of Topline Worldwide Limited ("Topline"). 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 adopted by the Company ("**Share Option Scheme**") on 3 December 2014 were as follows:

Name of Director	Grant date	Exercise price per share	Vesting period	Exercise period	Number of share options as at 1.4.2020 and 30.6.2020
Kong Chung Wai	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	400,000
	15.08.2018	0.433	15.08.2018 – 14.08.2020	15.08.2020 – 14.08.2022	200,000
Sin Chui Pik Christine	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	400,000
	15.08.2018	0.433	15.08.2018 – 14.08.2020	15.08.2020 – 14.08.2022	200,000
Chan Cheong Tat	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2020	15.08.2020 – 14.08.2022	200,000
Lee Ka Lun	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	200,000
	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	200,000
Leung Siu Cheung	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	200,000
					2,800,000

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 June 2020, 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 ^(note)	Beneficial owner	274,865,400	67.74%

Note: 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.

Save as disclosed above, as at 30 June 2020, 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 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 three months ended 30 June 2020.

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 and, save as disclosed below, the Board is satisfied that the Company had complied with and is not aware of any deviations from the CG Code during the three months ended 30 June 2020.

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 and committee members 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 three months ended 30 June 2020.

OFF-MARKET SHARE BUY-BANK

On 19 March 2020, the Company entered into a share buy-back agreement (the "**Share Buy-back Agreement**") with Rich Unicorn Holdings Limited ("**Rich Unicorn**") pursuant to which Rich Unicorn has agreed to sell, and the Company has agreed to repurchase for cancellation, a total of 80,000,000 ordinary shares of the Company (the "**Buy-back Shares**") at the total consideration of HK\$10,000,000, equivalent to HK\$0.125 per share. All conditions under the Share Buy-back Agreement have been fulfilled and completion took place on 9 June 2020. The Buy-back Shares have been cancelled by the Company on 16 June 2020. Details of the share buy-back are set out in the Company's announcement dated 19 March 2020 and the Company's circular dated 8 May 2020 respectively.

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

During the three months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities, save for the Buy-back Shares pursuant to the Share Buy-back Agreement entered into between the Company and Rich Unicorn on 19 March 2020.

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 three months ended 30 June 2020 (2019: Nil). 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 2019/20 annual report of the Company dated 22 June 2020.

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 three months ended 30 June 2020 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, 14 August 2020

As at the date of this report, the executive Directors of the Company 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.