

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



MEDIC  SKIN
— MEDICAL SKINCARE CENTRE —

The image shows a modern, brightly lit reception area for Medic Skin. A large, curved, dark-colored reception desk is the central focus. Behind the desk is a vibrant yellow wall with the Medic Skin logo and name. To the left of the desk, there is a basket of colorful flowers. To the right, a display shelf holds various skincare products. The background features a large, curved yellow wall and a wooden floor. The overall design is clean and professional.

2020/2021

THIRD QUARTERLY REPORT

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

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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, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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 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 and nine months ended 31 December 2020

| | Notes | Three months ended 31 December | | Nine months ended 31 December | |
|---|-------|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
| Revenue | 2 | 11,729 | 12,704 | 32,573 | 38,562 |
| Other income, gains and losses | 3 | 1,087 | 396 | 4,270 | 458 |
| Inventories used | | (1,924) | (2,318) | (5,329) | (6,195) |
| Staff costs | | (4,865) | (5,920) | (14,194) | (18,453) |
| Depreciation of right-of-use assets | | (1,904) | (1,909) | (5,722) | (5,725) |
| Depreciation of property, plant and equipment | | (509) | (730) | (1,700) | (2,112) |
| Other expenses | 4 | (1,985) | (2,676) | (5,753) | (7,860) |
| Interest expenses on lease liabilities | | (111) | (199) | (395) | (664) |
| Profit (loss) before tax | | 1,518 | (652) | 3,750 | (1,989) |
| Income tax expense | 5 | - | (76) | - | (165) |
| Profit (loss) for the period | | 1,518 | (728) | 3,750 | (2,154) |
| Other comprehensive income (loss) for the period | | | | | |
| Item that may be classified subsequently to profit or loss: | | | | | |
| Exchange differences arising from translation of foreign operations | | 31 | 19 | 64 | (45) |
| | | 1,549 | (709) | 3,814 | (2,199) |
| Profit (loss) for the period attributable to: | | | | | |
| Owners of the Company | | 1,426 | (255) | 3,262 | (906) |
| Non-controlling interests | | 92 | (473) | 488 | (1,248) |
| | | 1,518 | (728) | 3,750 | (2,154) |
| Total comprehensive income (loss) for the period attributable to: | | | | | |
| Owners of the Company | | 1,438 | (248) | 3,288 | (931) |
| Non-controlling interests | | 111 | (461) | 526 | (1,268) |
| | | 1,549 | (709) | 3,814 | (2,199) |
| Earnings (loss) per share, basic (HK cent) | 7 | 0.35 | (0.05) | 0.76 | (0.19) |
| Earnings (loss) per share, diluted (HK cent) | 7 | 0.35 | (0.05) | 0.76 | (0.19) |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2020

| | Attributable to owners of the Company | | | | | Total HK\$'000 | Non- controlling interests HK\$'000 | Total HK\$'000 |
|---|---------------------------------------|------------------------------|---|---------------------------------|---|-------------------|--|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Share options reserve HK\$'000 | Exchange reserve HK\$'000 | (Accumulated losses)/ retained profits 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 | - | - | - | - | 3,262 | 3,262 | 488 | 3,750 |
| Other comprehensive income for the period | - | - | - | 26 | - | 26 | 38 | 64 |
| Total comprehensive income for the period | - | - | - | 26 | 3,262 | 3,288 | 526 | 3,814 |
| Recognition of equity-settled share-based payments | - | - | 26 | - | - | 26 | - | 26 |
| Repurchases of shares | (840) | (10,950) | - | - | - | (11,790) | - | (11,790) |
| Disposal of subsidiary | - | - | - | - | - | - | 1,186 | 1,186 |
| At 31 December 2020 (unaudited) | 4,017 | 20,831 | 733 | 7 | 1,424 | 27,012 | (3,375) | 23,637 |
| 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 |
| Dividend 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 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 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. Except for the accounting policies used for the first time in the current period as disclosed below, the principal accounting policies used in the condensed consolidated financial statements for the nine months ended 31 December 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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to subsidy income from government for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Financial instruments

Financial assets

Classification and subsequent measurement of financial assets

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income ("FVTOCI") as measured at fair value through profit or loss ("FVTPL") if doing so eliminates or significantly reduces an accounting mismatch.

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of the reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other income, gains and losses” line item.

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 which 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 disclosure set out in these condensed consolidated financial statements. For those which are not yet effective, the Directors anticipate that the application of such new and revised 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 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 2020 | 2019 | 31 December 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Consultation Service | 303 | 340 | 877 | 1,213 |
| Prescription and Dispensing Service | 2,757 | 4,068 | 7,626 | 11,821 |
| Treatment Service | 8,669 | 8,296 | 24,070 | 25,528 |
| | 11,729 | 12,704 | 32,573 | 38,562 |

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 Director and 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.

2. REVENUE AND SEGMENT INFORMATION (Continued)

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 nine months ended 31 December 2020 and 2019, none of the Group's customer individually contributed over 10% of the total revenue of the Group.

3. OTHER INCOME, GAINS AND LOSSES

| | Three months ended | | Nine months ended | |
|--|---------------------|-------------|---------------------|-------------|
| | 31 December 2020 | 2019 | 31 December 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Rental income | – | – | – | 86 |
| Interest income on bank deposits | 71 | 254 | 497 | 587 |
| Interest income on rental deposits | 36 | 34 | 106 | 101 |
| Net foreign exchange gain (loss) | 304 | 108 | 508 | (299) |
| Government subsidies (Note) | 685 | – | 2,285 | – |
| Gain (loss) on disposal of a subsidiary | – | – | 687 | (17) |
| Gain on disposal of property, plant and equipment | – | – | 200 | – |
| Loss on write-off of property, plant and equipment | (7) | – | (14) | – |
| Others | (2) | – | 1 | – |
| | 1,087 | 396 | 4,270 | 458 |

Note: The government subsidies include both the Anti-epidemic Fund and Employment Support Scheme ("ESS") from the Government of the Hong Kong Special Administrative Region of the People's Republic of China (the "Government") to provide relief to the Group affected by COVID-19. Under the ESS, the Group is required to undertake and warrant that the Group does not implement redundancies during the subsidy period and spends all the wages subsidies on paying wages to the employees.

4. OTHER EXPENSES

| | Three months ended 31 December | | Nine months ended 31 December | |
|--|-----------------------------------|-------------|----------------------------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Property lease rentals and related expenses | 256 | 464 | 965 | 1,306 |
| Marketing expenses (including endorsement fee) | 85 | 581 | 136 | 1,536 |
| Payment platforms service charges | 251 | 320 | 724 | 958 |
| Annual listing, legal and professional fees | 405 | 445 | 1,231 | 1,234 |
| Other operating expenses | 988 | 866 | 2,697 | 2,826 |
| | 1,985 | 2,676 | 5,753 | 7,860 |

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 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 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 31 December | | Nine months ended 31 December | |
|----------------------------------|-----------------------------------|-------------|----------------------------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | 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 |
| Underprovision in prior years | – | 6 | – | 6 |
| | – | 76 | – | 165 |

6. DIVIDENDS

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 (“Shareholders”) on 26 July 2019.

The Board does not recommend the payment of an interim dividend for the nine month ended 31 December 2020 (2019: Nil).

7. EARNINGS (LOSS) PER SHARE

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

| | Three months ended | | Nine months ended | |
|---|---------------------|-------------|---------------------|-------------|
| | 31 December 2020 | 2019 | 31 December 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (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) | 1,426 | (255) | 3,262 | (906) |
| | '000 | '000 | '000 | '000 |
| Number of shares: | | | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share | 405,422 | 485,736 | 427,726 | 485,736 |
| Effect of dilutive 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 | 405,422 | 485,736 | 427,726 | 485,736 |

For the three and nine months ended 31 December 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 of the Company’s shares during such periods.

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 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) 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 nine months ended 31 December 2020, the revenue of the Group decreased by HK\$6.0 million, or 15.5%, to HK\$32.6 million, when compared to the nine months ended 31 December 2019. The revenue of Consultation Service, Prescription and Dispensing Service and Treatment Service amounted to HK\$0.9 million, HK\$7.6 million and HK\$24.1 million, which accounted for 2.7%, 23.4%, and 73.9% 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 the local consumption sentiment as a result 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 restrictions on public gatherings and ordered closures of various venues, including beauty parlours for certain periods. 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 the decrease in endorsement fee due to the expiration of an endorsement contract in February 2020) of its anti-aging centre and beauty spa. In view of the prioritisation 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 the economic and business environment, the Group has started to provide video Consultation Service and offer delivery services for medicines and skincare products.

The Group recorded a profit attributable to owners of the Company of HK\$3.3 million for the nine months ended 31 December 2020, as compared to a loss attributable to owners of the Company of HK\$0.9 million for the nine months ended 31 December 2019. The turn from loss 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 (the “**Disposal**”) (details of the Disposal are set out in the 2020/21 interim report of the Company dated 13 November 2020); and subsidies received from the Government credited to the condensed consolidated statement of profit or loss and other comprehensive income of the Group during the nine months ended 31 December 2020 of HK\$2.3 million in aggregate. Basic earnings per share for the period was HK0.76 cent as compared to basic loss per share of HK0.19 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 clients. The Group continuously performs market research on the development of, and evaluates the effects of the 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 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. 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\$6.0 million, or 15.5%, from HK\$38.6 million for the nine months ended 31 December 2019 to HK\$32.6 million for the nine months ended 31 December 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, gains and losses increased by HK\$3.8 million, or 76.0% from HK\$0.5 million for the nine months ended 31 December 2019 to HK\$4.3 million for the nine months ended 31 December 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 Government credited to the condensed consolidated statement of profit or loss and other comprehensive income of the Group during the nine months ended 31 December 2020 of HK\$2.3 million in aggregate.

Inventories used

The Group's cost of inventories was HK\$5.3 million and HK\$6.2 million for the nine months ended 31 December 2020 and 2019 respectively, representing 16.3% and 16.1% of the Group's revenue for the respective periods.

Staff costs

Staff costs decreased by HK\$4.3 million, or 23.2%, from HK\$18.5 million for the nine months ended 31 December 2019 to HK\$14.2 million for the nine months ended 31 December 2020. The decrease was primarily attributable to (i) the decrease in staff salaries due to (a) the decrease in the number of staff; and (b) cost-effective measures adopted, including the redeployment of manpower; and (ii) the decrease in performance related incentive payments paid to medical practitioners due to the decline in revenue generated by medical practitioners during the reporting period.

Depreciation of right-of-use assets

Depreciation of right-of-use assets remained stable at HK\$5.7 million for the nine months ended 31 December 2020 and 2019.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment decreased by HK\$0.4 million, or 19.0%, from HK\$2.1 million for the nine months ended 31 December 2019 to HK\$1.7 million for the nine months ended 31 December 2020. The decrease was primarily attributable to the disposal of property, plant and equipment through the disposal of the 51% equity interest in Success Guide on 1 June 2020.

Other expenses

Other expenses decreased by HK\$2.1 million, or 26.6%, from HK\$7.9 million for the nine months ended 31 December 2019 to HK\$5.8 million for the nine months ended 31 December 2020. The decrease was primarily attributable to (i) the decrease in marketing expenses of its anti-aging centre and MS Medicspa of HK\$1.3 million in aggregate in the current reporting period; and (ii) cost saving due to the Disposal.

Income tax expense

Income tax expense decreased by HK\$0.2 million, or 100.0%, from HK\$0.2 million for the nine months ended 31 December 2019 to nil for the nine months ended 31 December 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 subsidies 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 for the nine months ended 31 December 2020 of HK\$3.3 million, as compared to a loss attributable to owners of the Company of HK\$0.9 million for the nine months ended 31 December 2019.

DISCLOSURE OF INTERESTS

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

As at 31 December 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 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 (Note) | Interest in a controlled corporation | 274,865,400 | 68.43% |

Note: The 274,865,400 shares of the Company 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 1.4.2020 and 31.12.2020 |
|------------------------|------------|--------------------------|-------------------------|-------------------------|---|
| 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 |
| 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 |
| 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 31 December 2020, 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 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 (<i>Note</i>) | Beneficial owner | 274,865,400 | 68.43% |

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 31 December 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 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 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 nine months ended 31 December 2020.

In accordance with provision A.2.1 of the CG Code, the roles of chairman and chief executive officer 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 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 nine months ended 31 December 2020.

OFF-MARKET SHARE BUY-BACK

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

Save as disclosed in the paragraph headed "Off-market Share Buy-back" in this report, during the nine months ended 31 December 2020, a total of 4,708,000 ordinary shares of the Company were repurchased by the Company on the Stock Exchange. 188,000 and 3,868,000 of the repurchased shares were subsequently cancelled by the Company on 11 September and 29 December 2020, respectively. The Directors believe that the repurchases reflect the Company's confidence in its long-term business prospects and would ultimately benefit the Company and create value for the shareholders of the Company. Details of the repurchases of shares of the Company are as follows:

| Month of repurchase in 2020 | Number of ordinary shares repurchased | Consideration per share | | Aggregate consideration paid HK\$'000 |
|-----------------------------|---------------------------------------|-------------------------|----------------|--|
| | | Highest HK\$ | Lowest HK\$ | |
| July | 188,000 | 0.145 | 0.145 | 27 |
| November | 1,780,000 | 0.193 | 0.182 | 331 |
| December | 2,740,000 | 0.220 | 0.195 | 554 |
| | 4,708,000 | | | 912 |

Save as disclosed above, during the nine months ended 31 December 2020, 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 2020 (2019: Nil). As at the date of this report, there were 4,000,000 outstanding share options in aggregate, which have vested and are issuable for 4,000,000 ordinary shares of the Company under the Share Option Scheme. Details of such outstanding options are the same as disclosed in the 2020/2021 interim report of the Company dated 13 November 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 nine months ended 31 December 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, 10 February 2021

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.