

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



第三季度 THIRD 報告 QUARTERLY REPORT 2022 / 2023



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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*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 2022 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 2022

| | Notes | Three months ended 31 December | | Nine months ended 31 December | |
|---|-------|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | | 2022 HK\$'000 (unaudited) | 2021 HK\$'000 (unaudited) | 2022 HK\$'000 (unaudited) | 2021 HK\$'000 (unaudited) |
| Revenue | 2 | 11,921 | 13,543 | 31,942 | 40,161 |
| Other income, gains and losses | 3 | 333 | 422 | (166) | 830 |
| Inventories used | | (2,391) | (2,140) | (6,057) | (6,238) |
| Staff costs | | (5,038) | (5,746) | (15,458) | (17,337) |
| Depreciation of right-of-use assets | | (1,777) | (1,893) | (5,420) | (5,693) |
| Depreciation of property, plant and equipment | | (581) | (535) | (1,623) | (1,641) |
| Other expenses | | (2,118) | (2,069) | (5,768) | (6,450) |
| Interest expenses on lease liabilities | | (184) | (109) | (616) | (257) |
| Profit (loss) before tax | | 165 | 1,473 | (3,166) | 3,375 |
| Income tax expense | 4 | (1) | – | (1) | (2) |
| Profit (loss) for the period | | 164 | 1,473 | (3,167) | 3,373 |
| Other comprehensive (loss) income for the period | | | | | |
| Item that may be classified subsequently to profit or loss: | | | | | |
| Exchange differences arising from translation of foreign operations | | (5) | 3 | 13 | (38) |
| | | 159 | 1,476 | (3,154) | 3,335 |
| Profit (loss) for the period attributable to: | | | | | |
| Owners of the Company | | 169 | 1,462 | (3,136) | 3,217 |
| Non-controlling interests | | (5) | 11 | (31) | 156 |
| | | 164 | 1,473 | (3,167) | 3,373 |
| Total comprehensive income (loss) for the period attributable to: | | | | | |
| Owners of the Company | | 161 | 1,462 | (3,116) | 3,201 |
| Non-controlling interests | | (2) | 14 | (38) | 134 |
| | | 159 | 1,476 | (3,154) | 3,335 |
| Earnings (loss) per share, basic (HK cent) | 6 | 0.04 | 0.37 | (0.79) | 0.81 |
| Earnings (loss) per share, diluted (HK cent) | 6 | 0.04 | 0.37 | (0.79) | 0.81 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2022

| | Attributable to owners of the Company | | | | | | | Total HK\$'000 |
|---|---------------------------------------|------------------------------|---|---------------------------------|---|-------------------|--|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Share options reserve HK\$'000 | Exchange reserve HK\$'000 | Retained profits/ (accumulated losses) HK\$'000 | Total HK\$'000 | Non- controlling interests HK\$'000 | |
| At 1 April 2022 (audited) | 3,967 | 9,712 | 733 | (18) | 3,037 | 17,431 | (3,252) | 14,179 |
| Loss for the period | - | - | - | - | (3,136) | (3,136) | (31) | (3,167) |
| Other comprehensive income (loss) for the period | - | - | - | 20 | - | 20 | (7) | 13 |
| Total comprehensive income (loss) for the period | - | - | - | 20 | (3,136) | (3,116) | (38) | (3,154) |
| Transfer | - | - | (733) | - | 733 | - | - | - |
| At 31 December 2022 (unaudited) | 3,967 | 9,712 | - | 2 | 634 | 14,315 | (3,290) | 11,025 |
| At 1 April 2021 (audited) | 3,967 | 19,630 | 733 | - | (885) | 23,445 | (3,454) | 19,991 |
| Profit for the period | - | - | - | - | 3,217 | 3,217 | 156 | 3,373 |
| Other comprehensive loss for the period | - | - | - | (16) | - | (16) | (22) | (38) |
| Total comprehensive (loss) income for the period | - | - | - | (16) | 3,217 | 3,201 | 134 | 3,335 |
| Dividend recognised as distribution (Note 5) | - | (9,918) | - | - | - | (9,918) | - | (9,918) |
| At 31 December 2021 (unaudited) | 3,967 | 9,712 | 733 | (16) | 2,332 | 16,728 | (3,320) | 13,408 |



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2022

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 2022 are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2022. 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 2022, 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 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 amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

As at 31 December 2022, the Group had net current liabilities of HK\$3.2 million. The current liabilities arose mainly from contract liabilities of HK\$20.1 million, which represented services to be performed and shall not result in any cash outflows of the Company eventually. Taking into account the above consideration, the Directors consider that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the next twelve months from the end of the reporting period. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

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 skincare products ("Prescription and Dispensing Service") and the provision of treatment services ("Treatment Service") during the period.

Disaggregation of revenue from contracts with customers:

| | Three months ended 31 December | | Nine months ended 31 December | |
|-------------------------------------|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2022 HK\$'000 (unaudited) | 2021 HK\$'000 (unaudited) | 2022 HK\$'000 (unaudited) | 2021 HK\$'000 (unaudited) |
| Medical Consultation Service | 227 | 306 | 723 | 935 |
| Prescription and Dispensing Service | 2,486 | 2,819 | 6,940 | 7,757 |
| Treatment Service | 9,208 | 10,418 | 24,279 | 31,469 |
| | 11,921 | 13,543 | 31,942 | 40,161 |

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 Director and chief executive officer of the Company, has been identified as the Group's 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

Almost all the Group's operations are located in Hong Kong. Nearly 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 2022 and 2021, 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 31 December | | Nine months ended 31 December | |
|---|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2022 HK\$'000 (unaudited) | 2021 HK\$'000 (unaudited) | 2022 HK\$'000 (unaudited) | 2021 HK\$'000 (unaudited) |
| Government subsidies (Note) | – | – | 829 | – |
| Interest income on bank deposits | 73 | 91 | 233 | 219 |
| Interest income on rental deposits | 33 | 34 | 98 | 107 |
| Net foreign exchange (loss) gain | (28) | 229 | (1,520) | 432 |
| Loss on write-off of property, plant and equipment | – | (3) | (14) | (3) |
| Net fair value changes in financial assets at fair value through profit or loss | 94 | 28 | (77) | 28 |
| Consultancy service income | 161 | 37 | 266 | 37 |
| Others | – | 6 | 19 | 10 |
| | 333 | 422 | (166) | 830 |

Note: The government subsidies represents the Employment Support Scheme (“ESS”) from the Government of Hong Kong Special Administrative Region of the People’s Republic of China (the “Government”) to provide relief to the Group affected by COVID-19 pandemic. Under the ESS, the Group is required to undertake and warrant that the Group (i) would not implement redundancies during the subsidy period; and (ii) would spend all the wages subsidies on paying wages to the employees. These conditions had been satisfied during the period.

4. INCOME TAX EXPENSE

Under the two tiered profits tax rates regime in Hong Kong, the first HK\$2 million of profits of a qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. 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%. Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimate assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

| | Three months ended 31 December | | Nine months ended 31 December | |
|----------------------------------|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2022 HK\$'000 (unaudited) | 2021 HK\$'000 (unaudited) | 2022 HK\$'000 (unaudited) | 2021 HK\$'000 (unaudited) |
| Income tax expense comprises of: | | | | |
| Hong Kong Profits Tax | | | | |
| Current period | – | – | – | – |
| Underprovision in prior periods | 1 | – | 1 | 2 |
| | 1 | – | 1 | 2 |

5. DIVIDEND

On 21 June 2021, the Board resolved to declare the payment of a special dividend of HK2.5 cents per ordinary share to the shareholders of the Company (the “Shareholders”), amounting to HK\$9,918,000, which was distributed to the shareholders of the Company on 26 July 2021.

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2022 (2021: Nil).

6. 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 31 December | | Nine months ended 31 December | |
|---|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2022 HK\$'000 (unaudited) | 2021 HK\$'000 (unaudited) | 2022 HK\$'000 (unaudited) | 2021 HK\$'000 (unaudited) |
| Profit (loss) for the purpose of calculating basic and diluted earnings (loss) per share (profit (loss) for the period attributable to owners of the Company) | 169 | 1,462 | (3,136) | 3,217 |
| | '000 | '000 | '000 | '000 |
| Number of shares: | | | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share | 396,736 | 396,736 | 396,736 | 396,736 |
| Effect of dilutive potential ordinary shares: | | | | |
| Share options issued by the Company | N/A | – | – | – |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings (loss) per share | 396,736 | 396,736 | 396,736 | 396,736 |

For the three months ended 31 December 2021 and nine months ended 31 December 2021 and 2022, the computation of diluted earnings (loss) per share does not assume the exercise of the Company's share options since their exercise price was higher than the average market price of the Company's shares for the periods.

7. EVENTS AFTER THE REPORTING PERIOD

There was no other 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 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.

In early 2022, the large-scale outbreak of the fifth wave of the COVID-19 pandemic had led to the imposition of the strictest social distancing measures by the Government, including closure of beauty parlours and implementation of “vaccine pass” arrangements, which slowed down the local economic activities. Even though the Group’s business focuses on medical procedures and medical treatments performed by registered medical practitioners, the Group’s skin care services were inevitably affected. Meanwhile, the Group continued to face intense competition in the market.

Nevertheless, in response to the severity of the pandemic and to adapt to the new normal, the Group has taken the following measures: continuously improving its online consultation services and e-commerce platform for its proprietary skincare products; offering delivery services for its skincare and certain medical products to meet clients’ need; and adopting a more stringent control on operating costs to mitigate the negative impacts of the pandemic on our business operations.

Due to the negative impacts brought by the pandemic in Hong Kong and the intense competition in the market, the revenue of the Group for the nine months ended 31 December 2022 decreased by HK\$8.3 million, or 20.5%, to HK\$31.9 million, when compared to the nine months ended 31 December 2021. The revenue of Medical Consultation Service, Prescription and Dispensing Service and Treatment Service amounted to HK\$0.7 million, HK\$6.9 million and HK\$24.3 million which accounted for 2.3%, 21.7%, and 76.0% of the total revenue of the Group, respectively.

The Group recorded a loss attributable to owners of the Company of HK\$3.1 million for the nine months ended 31 December 2022, as compared to a profit attributable to owners of the Company of HK\$3.2 million for the nine months ended 31 December 2021. The turning into loss from profit was mainly attributable to (i) a decline of approximately HK\$8.3 million, or 20.5%, of the revenue of the Group for the nine months ended 31 December 2022 as compared to the corresponding period of last year; and (ii) the effect of exchange loss arising from translation of bank deposits denominated in Renminbi of HK\$1.5 million. Basic loss per share for the period was HK0.79 cent as compared to basic earnings per share of HK0.81 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 continuously performs market research on the development of, and evaluates the effects of the latest products, skills and treatment devices and technology in the market. The Directors 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.

As the Government has recently announced a series of measures that lead to the resumption to normalcy of society, the management and handling of the COVID-19 pandemic in Hong Kong is now progressing to a new stage and mode. Almost all COVID-19 measures have been lifted and the Mainland China has fully reopened its borders with Hong Kong and Macau. Looking forward, although the global economy remains gloomy and uncertain, following the lifting of COVID-19 measures, it is expected that a significant rebound in the number of Mainland China tourists, improvement in the local consumer sentiment, and the social and economic activities will fully resume to normal and the Group's sales will benefit from these favourable factors. We are still prudently optimistic about the Group's performance in the future. Leveraging an established customer base and renowned reputation in the industry, the Group will continue to use its best endeavours to provide the highest quality medical skin care services and products to its clients, strengthen its market position and identify new business opportunities 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\$8.3 million, or 20.5%, from HK\$40.2 million for the nine months ended 31 December 2021 to HK\$31.9 million for the nine months ended 31 December 2022. The decrease was primarily attributable to the negative impact brought by the COVID-19 pandemic and the intense competition in the market.

Other income, gains and losses

Net other income and gains decreased by HK\$1.0 million, from net income and gains of HK\$0.8 million for the nine months ended 31 December 2021 to net losses of HK\$0.2 million for the nine months ended 31 December 2022. The decrease was primarily attributable to the net effect of (i) the exchange loss arising from translation of bank deposits denominated in Renminbi of HK\$1.5 million; and (ii) the subsidies received from the Government of HK\$0.8 million during the nine months ended 31 December 2022.

Inventories used

The Group's cost of inventories was HK\$6.1 million and HK\$6.2 million for the nine months ended 31 December 2022 and 2021, respectively, representing 19.0% and 15.5% of the Group's revenue for the respective periods.

Staff costs

Staff costs decreased by HK\$1.8 million, or 10.8%, from HK\$17.3 million for the nine months ended 31 December 2021 to HK\$15.5 million for the nine months ended 31 December 2022. The decrease was primarily attributable to the decrease in salaries and allowance paid to staff and performance related incentive payments paid to registered medical practitioners due to decline in revenue.

Depreciation of right-of-use assets

Depreciation of right-of-use assets remained stable at HK\$5.4 and HK\$5.7 million for the nine months ended 31 December 2022 and 2021, respectively.



Depreciation of property, plant and equipment

Depreciation of property, plant and equipment remained stable at HK\$1.6 million for the nine months ended 31 December 2022 and 2021, respectively.

Other expenses

Other expenses decreased by HK\$0.7 million, or 10.6%, from HK\$6.5 million for the nine months ended 31 December 2021 to HK\$5.8 million for the nine months ended 31 December 2022. The decrease was in line with the decline in revenue.

Income tax expense

No provision for Hong Kong profits tax had been made for the nine months ended 31 December 2022 and 2021 as the Group either had no estimated assessable profit or had estimated tax losses brought forward to absorb the estimated assessable profit.

Profit (loss) for the period

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company of HK\$3.1 million for the nine months ended 31 December 2022, as compared to a profit attributable to owners of the Company of HK\$3.2 million for the corresponding period of last year.

DISCLOSURE OF INTERESTS

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

As at 31 December 2022, 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 | 69.28% |

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 adopted by the Company (the "**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 1.4.2022 | Lapsed during the period | Number of share options as at 31.12.2022 |
|------------------------|------------|--------------------------|-------------------------|-------------------------|--|--------------------------|--|
| 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) | - |

As at 31 December 2022, none of the Directors and chief executive of the Company had any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed above, as at 31 December 2022, 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 2022, 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 | 69.28% |

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 2022, 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 nine months ended 31 December 2022.



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 2022.

In accordance with provision C.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 C.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 our 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.

Mr. Lee Ka Lun (“**Mr. Lee**”), one of our independent non-executive Directors, resigned on 15 November 2022. Following the resignation of Mr. Lee, (i) the total number of independent non-executive Directors is less than three, and hence the Company fails to meet the requirement of Rule 5.05 of the GEM Listing Rules; and (ii) the Company has only two members in the Audit Committee which deviates from the requirement under the Rule 5.28 of the GEM Listing Rules. The Board will ensure that the Company will appoint a sufficient number of independent non-executive Directors to meet the minimum number as required under Rules 5.05 and 5.28 of the GEM Listing Rules within three months from 15 November 2022.

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 2022.

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

During the nine months ended 31 December 2022, 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, one of our aggregate of 4,000,000 share options were granted to certain Directors and certain employees of the Group. No share options were exercised and cancelled during the nine months ended 31 December 2022 (2021: Nil). There were 4,000,000 share options lapsed during the nine months ended 31 December 2022 (2021: Nil). Accordingly, the share-based payments previously recognised in share options reserve of HK\$733,000 was transferred to retained profits during the nine months ended 31 December 2022. As at the date of this report, there was no outstanding share options under the Share Option Scheme. Details of such options are the same as disclosed in the 2022/2023 interim report of the Company dated 14 November 2022.

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 two independent non-executive Directors, namely, Mr. Chan Cheong Tat 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 2022 and this report and is of the view that the condensed consolidated financial statements have complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure have been made.

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

Hong Kong, 13 February 2023

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 and Mr. Leung Siu Cheung.