



**MEDICSKIN HOLDINGS LIMITED**

**密迪斯肌控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8307

**FIRST QUARTERLY REPORT**

**2015/16**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange 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 the 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.*

## **FINANCIAL HIGHLIGHTS**

*For the three months ended 30 June 2015*

- The Group's revenue amounted to approximately HK\$15.8 million for the three months ended 30 June 2015, representing a decrease of approximately HK\$1.3 million, or 7.6%, as compared to the three months ended 30 June 2014.
- The profit and total comprehensive income for the three months ended 30 June 2015 attributable to the owners of the Company was approximately HK\$1.0 million, representing a decrease of approximately HK\$0.3 million, or 23.1%, as compared to the three months ended 30 June 2014.
- The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2015.

## UNAUDITED FIRST QUARTERLY RESULTS

The board of directors (the “**Board**”) of the Company is pleased to report the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 30 June 2015 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 (UNAUDITED)

*For the three months ended 30 June 2015*

	Notes	Three months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	3	15,753	17,117
Other income, gains and losses		(10)	(35)
Inventories used		(1,974)	(2,053)
Staff costs		(8,841)	(7,725)
Depreciation of property, plant and equipment		(654)	(595)
Other expenses		(2,963)	(2,183)
Finance costs	4	–	(156)
Listing expenses		–	(2,328)
Profit before tax		1,311	2,042
Income tax expense	5	(286)	(762)
Profit and total comprehensive income for the period attributable to owners of the Company		1,025	1,280
Earnings per share, basic (HK cents)	7	0.26	0.38

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2015

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	
At 1 April 2015 (audited)	4,000	31,670	2,579	8,934	47,183
Profit and total comprehensive income for the period	–	–	–	1,025	1,025
Recognition of equity-settled share-based payments (note)	–	–	249	–	249
At 30 June 2015 (unaudited)	4,000	31,670	2,828	9,959	48,457
At 1 April 2014 (audited)	–	–	1,580	8,806	10,386
Profit and total comprehensive income for the period	–	–	–	1,280	1,280
Recognition of equity-settled share-based payments (note)	–	–	249	–	249
Dividend recognised as distribution (note 6)	–	–	–	(3,200)	(3,200)
At 30 June 2014 (unaudited)	–	–	1,829	6,886	8,715

Note: Capital reserve represents deemed contribution from the controlling shareholder (i.e. Dr. Kong Kwok Leung (“**Dr. Kong**”)) arising from the share reward granted to a medical practitioner of the Group by Dr. Kong for the services rendered to the Group. The fair value of services received, which is determined by reference to the fair value of the share reward at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in capital reserve.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the three months ended 30 June 2015*

## 1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 20 June 2014. The shares of the Company have been listed on GEM of the Stock Exchange since 18 December 2014 (the “**Listing**”). The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Its principal place of business is located at Room 1206, Tak Shing House, 20 Des Voeux Road Central, Hong Kong.

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

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

## 2. BASIS OF PREPARATION

The unaudited 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 the disclosure requirements of Hong Kong Companies Ordinance. In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the GEM Listing Rules.

In the current period, the Group has consistently applied all the new and revised HKFRSs issued by the HKICPA that are effective for the Group’s financial year beginning on 1 April 2015. The application of these new and revised HKFRSs in the current period has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and disclosures set out in these unaudited condensed consolidated financial statements.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective in the preparation of the unaudited condensed consolidated financial statements. The Directors anticipate that the application of these new and revised HKFRSs will have no material impact on the unaudited condensed consolidated financial statements of the Group.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

### 3. REVENUE AND SEGMENT INFORMATION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received and receivable for goods sold and services provided in the normal course of business, net of discounts and refund. The Group’s operating activities are attributable to a single operating segment focusing on provision of consultation services (“**Consultation Service**”), prescription and dispensing of medication and/or skincare products (“**Prescription and Dispensing Service**”) and provision of medical skin care treatments which are non-invasive/minimally invasive in nature (“**Treatment Service**”). This operating segment has been identified on the basis of internal management reports prepared in accordance with the Group’s accounting policies. Dr. Kong and Mr. Lo Kwok Bun, two of the Directors of the Company, have been identified as the chief operating decision makers (“**CODM**”). The CODM review the Group’s revenue analysis by services and products in order to assess performance and allocation of resources.

The following is an analysis of the Group’s revenue:

	<b>Three months ended</b>	
	<b>30 June</b>	
	<b>2015</b>	2014
	<i><b>HK\$’000</b></i>	<i>HK\$’000</i>
	<b>(unaudited)</b>	(unaudited)
Consultation Service	<b>893</b>	1,127
Prescription and Dispensing Service	<b>7,042</b>	7,695
Treatment Service	<b>7,818</b>	8,295
	<hr/> <b>15,753</b>	<hr/> 17,117

Other than revenue analysis, no operating results or other discrete financial information is available for the assessment of performance and allocation of resources. The CODM review the results of the Group as a whole to make decisions. Accordingly, other than entity wide information, no analysis of this single operating segment is presented.

#### 4. FINANCE COSTS

	Three months ended	
	30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interests on:		
Borrowings wholly repayable within five years	-	152
Finance leases wholly repayable within five years	-	4
	<hr/>	<hr/>
	-	156
	<hr/>	<hr/>

#### 5. INCOME TAX EXPENSE

	Three months ended	
	30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Income tax expense comprises:		
Hong Kong Profits Tax	286	762
	<hr/>	<hr/>

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

#### 6. DIVIDENDS

During the three months ended 30 June 2014, an interim dividend of HK\$3,200,000 were distributed by Multiple Profit Enterprise Limited, a wholly owned subsidiary of the Company after the reorganisation as described in the prospectus of the Company dated 12 December 2014 (the "Prospectus") (the "Reorganisation"), to its then shareholders.

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2015.

## 7. EARNINGS PER SHARE

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

	Three months ended	
	30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Earnings:</b>		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	<b>1,025</b>	1,280
	<b>'000</b>	'000
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>400,000</b>	333,332

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue as described in the Prospectus had been effective on 1 April 2014.

No diluted earnings per share for both periods were presented as there were no potential ordinary shares in issue for both periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is a medical skin care group operating two medical skin care centres (“**Medicskin Centres**”) in Hong Kong that primarily focus on the treatment of skin diseases and problems and/or the improvement of appearance of clients. The Group provides services to clients for the treatment of, inter alia, skin diseases and problems such as acne, pigmentation, rosacea, dermatitis, eczema and warts, as well as for the improvement of appearance through, inter alia, skin rejuvenation, facial sculpturing and body contouring treatments, treatments of acne scars and enlarged pores, removal of undesirable naevi, and hair removal. These services are provided via the Group’s Consultation Service, Prescription and Dispensing Service and Treatment Service.

The Listing by way of placing, which marked a step forward of the Group into its next stage of growth. The Listing has strengthened the Group’s financial position with the net proceeds raised in connection with the Listing and has provided the Group with additional avenues to raise capital for future expansion. It has also enhanced the Group’s profile and its future development potential in the medical skin care industry.

During the three months ended 30 June 2015, the revenue derived from the Consultation Service, Prescription and Dispensing Service and Treatment Service accounted for approximately 5.7%, 44.7%, and 49.6% of the total revenue of the Group respectively.

For the three months ended 30 June 2015, the revenue of the Group decreased by approximately HK\$1.3 million, or 7.6%, when compared to the three months ended 30 June 2014, to approximately HK\$15.8 million. The decrease in revenue was primarily attributable to the decrease in general consumer sentiment in Hong Kong due to the slowdown of economic growth in Hong Kong and the People’s Republic of China (the “**PRC**”) and the increasingly intensified competition in the industry. Hence it would not be an easy task to maintain our position.

## OUTLOOK

Although the Group is facing potential fluctuations in the global, Hong Kong and PRC economies and slowdown in economic growth in the near future, the Group remains confident about the future of the medical skin care industry in the region, especially as it is still at a relatively early stage of development in the PRC. The demand for such services is expected to increase in the PRC, providing opportunities for comparatively more experienced and mature medical skin care providers from Hong Kong to expand their presence onto the mainland to meet such demand. Continuing technological innovation and improvement of treatment equipment by manufacturers also offers growth opportunities within the industry for all players.

## FINANCIAL REVIEW

### Revenue

The Group's revenue decreased by approximately HK\$1.3 million, or 7.6%, from approximately HK\$17.1 million for the three months ended 30 June 2014 to approximately HK\$15.8 million for the three months ended 30 June 2015. The decrease was primarily attributable to the decrease in general consumer sentiment in Hong Kong due to the slowdown of economic growth in Hong Kong and the PRC and the increasingly intensified competition in the industry which in turn decreased the client flow as well as the frequency of client visits.

### Inventories used

The Group's cost of inventories used remained stable at approximately HK\$2.1 million and HK\$2.0 million for the three months ended 30 June 2014 and 2015 respectively, representing 12.3% and 12.7% of the revenue for the respective periods.

### Staff costs

Staff costs increased by approximately HK\$1.1 million, or 14.3%, from approximately HK\$7.7 million for the three months ended 30 June 2014 to approximately HK\$8.8 million for the three months ended 30 June 2015. The increase was primarily attributable to the new hiring and annual revision of compensation to staff and our doctors.

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

Depreciation expenses increased by approximately HK\$0.1 million, or 16.7%, from approximately HK\$0.6 million for the three months ended 30 June 2014 to approximately HK\$0.7 million for the three months ended 30 June 2015. The increase was primarily attributable to the purchases of medical equipment during the three months ended 30 June 2015.

### **Other expenses**

Other expenses increased by approximately HK\$0.8 million, or 36.4%, from approximately HK\$2.2 million for the three months ended 30 June 2014 to approximately HK\$3.0 million for the three months ended 30 June 2015. The increase was primarily attributable to the increase in recurring professional fees incurred of approximately HK\$0.5 million since the Listing and increase in rental expenses and ancillary costs of premises (including management fee, air conditioning charges and government rate) by HK\$0.1 million following the expansion of our office by occupying an additional rental unit in Tak Shing House in April 2015.

### **Listing expenses**

During the three months ended 30 June 2015, no non-recurring listing expenses was recognised as expenses in connection with the Listing (for three months ended 30 June 2014: approximately HK\$2.3 million).

### **Income tax expense**

Income tax expense decreased by approximately HK\$0.5 million, or 62.5%, from approximately HK\$0.8 million for the three months ended 30 June 2014 to approximately HK\$0.3 million for the three months ended 30 June 2015. The decrease was primarily attributable to the decrease in profit before tax, excluding the effect of non-deductible expenses such as share-based payments and listing expenses.

### **Profit for the period**

As a result of the foregoing, the profit for the period decreased by approximately HK\$0.3 million, or 23.1%, from approximately HK\$1.3 million for the three months ended 30 June 2014 to approximately HK\$1.0 million for the three months ended 30 June 2015.

## DISCLOSURE OF INTERESTS

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

As at 30 June 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

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

Name of Director	Capacity/ Nature of interest	Number of shares	Percentage of issued share capital
Dr. Kong <sup>(note)</sup>	Interest in a controlled corporation	290,000,040	72.50%

*Note:* The 290,000,040 shares are registered in the name of Topline Worldwide Limited (“Topline”), which is wholly owned by Dr. Kong. Under the SFO, Dr. Kong is deemed to be interested in all the shares of the Company registered in the name of Topline.

Save as disclosed above, as at 30 June 2015, 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 Rule 5.46 of the GEM Listing Rules.

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

As at 30 June 2015, 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**

<b>Name</b>	<b>Capacity/ Nature of interest</b>	<b>Number of shares</b>	<b>Percentage of issued share capital</b>
Topline <sup>(note)</sup>	Beneficial owner	290,000,040	72.50%

*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 2015, 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 three months ended 30 June 2015.

## **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 the Board is satisfied that the Company had complied with the CG Code during the three months ended 30 June 2015.

## **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 2015.

## **INTERESTS OF COMPLIANCE ADVISER**

As at 30 June 2015, as notified by the Company’s compliance adviser, Shenwan Hongyuan Capital (H.K.) Limited (formerly known as “Shenyin Wanguo Capital (H.K.) Limited”) (the “**Compliance Adviser**”), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 3 December 2014, neither the Compliance Adviser nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

During the three months ended 30 June 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (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 Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share option has been granted since the adoption of the Share Option Scheme and there was no share option outstanding as at 30 June 2015.

## AUDIT COMMITTEE

The Company had established the Audit Committee on 3 December 2014 with written terms of reference in compliance with the GEM Listing Rules. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and review the Company’s financial information.

The Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung. Mr. Chan Cheong Tat is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2015 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, 12 August 2015

*As at the date of this report, the executive Directors of the Company are Dr. Kong Kwok Leung, Mr. Lo Kwok Bun and Ms. Kong Chung Wai, and the independent non-executive Directors are Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung.*