

THIRD QUARTERLY  
REPORT

2018/2019



**MEDIC**  **SKIN**

**MEDICSKIN HOLDINGS LIMITED**

**密迪斯肌控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

**STOCK CODE : 8307**

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

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*This report, for which the directors (the “**Directors**”) of Medicskin Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; there are no other matters the omission of which would make any statement herein or this report misleading.*

## UNAUDITED THIRD 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 nine months ended 31 December 2018 together with the comparative unaudited figures for the corresponding period of last year as follows:

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

*For the three months and nine months ended 31 December 2018*

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	2	<b>13,597</b>	14,497	<b>38,591</b>	44,450
Other income, gains and losses		<b>233</b>	314	<b>139</b>	868
Inventories used		<b>(2,171)</b>	(2,160)	<b>(5,914)</b>	(6,050)
Staff costs		<b>(6,430)</b>	(6,936)	<b>(19,044)</b>	(21,985)
Depreciation of property, plant and equipment		<b>(1,226)</b>	(1,039)	<b>(3,373)</b>	(3,182)
Other expenses		<b>(4,621)</b>	(3,658)	<b>(16,166)</b>	(11,393)
(Loss) profit before tax		<b>(618)</b>	1,018	<b>(5,767)</b>	2,708
Income tax expense	3	<b>81</b>	(189)	<b>(29)</b>	(915)
(Loss) profit and total comprehensive (expenses) income for the period		<b>(537)</b>	829	<b>(5,796)</b>	1,793
(Loss) profit and total comprehensive (expense) income for the period attributable to:					
Owners of the Company		<b>(53)</b>	829	<b>(3,065)</b>	1,793
Non-controlling interests		<b>(484)</b>	–	<b>(2,731)</b>	–
		<b>(537)</b>	829	<b>(5,796)</b>	1,793
(Loss) earnings per share, basic (HK cent)	5	<b>(0.01)</b>	0.17	<b>(0.64)</b>	0.37
(Loss) earnings per share, diluted (HK cent)	5	<b>(0.01)</b>	0.17	<b>(0.64)</b>	0.37



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the nine months ended 31 December 2018*

## 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Group's 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. The principal accounting policies used in the consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2018, except for the accounting policy used for the first time in the current period as disclosed below. The consolidated financial statements are unaudited, but have been reviewed by the audit committee (the "Audit Committee") of the Company.

### **Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimate useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

The HKICPA has issued a number of new and revised HKFRSs. For those which are effective for accounting period beginning on 1 April 2018, the application has no material impact on the Group's financial performance and positions for the current and/or prior accounting periods. For those which are not yet effective, except for HKFRS 16 "Leases", the Directors anticipate that the application of other new and revised HKFRSs will have no material impact on the Group's financial statements.

## 2. REVENUE AND SEGMENT INFORMATION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The Group's operating activities are attributable to a single operating segment focusing on 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 medical skin care treatments ("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, the chief executive officer of the Company, has been identified as the chief operating decision maker ("CODM"). The CODM reviews the Group's revenue analysis by services and products in order to assess performance and allocation of resources.

### Revenue by services and products

	Three months ended		Nine months ended	
	31 December		31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Consultation Service	468	664	1,407	2,196
Prescription and Dispensing Service	4,640	5,534	13,205	16,543
Treatment Service	8,489	8,299	23,979	25,711
	<b>13,597</b>	14,497	<b>38,591</b>	44,450

Other than the 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.

### 3. INCOME TAX EXPENSE

Three months ended 31 December		Nine months ended 31 December	
2018	2017	2018	2017
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(unaudited)	(unaudited)	(unaudited)	(unaudited)

Income tax expense comprises:

#### Hong Kong Profits Tax

Current year	–	329	<b>110</b>	979
Underprovision in prior year	<b>34</b>	–	<b>34</b>	16
Deferred tax (credit) charge	<b>(115)</b>	(140)	<b>(115)</b>	(80)
	<b>(81)</b>	189	<b>29</b>	915

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

Under the two tiered profits tax rates regime, the first HK\$2.0 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2.0 million will be taxed at 16.5%. For the nine months ended 31 December 2018, Hong Kong Profits Tax of the qualified entity is calculated in accordance with the two-tiered profits tax rates regime. For the nine months ended 31 December 2017, Hong Kong Profits Tax was calculated at the flat rate of 16.5%.

#### 4. DIVIDENDS

A final dividend in respect of the year ended 31 March 2017 of HK0.2 cent per share, amounting to approximately HK\$961,000, was approved by the shareholders in the annual general meeting of the Company held on 26 July 2017 and distributed by the Company to the shareholders during the nine months ended 31 December 2017.

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

On 5 December 2017, the Board resolved to declare the payment of a special dividend of HK5 cents per share, amounting to HK\$24,020 million, and which was distributed by the Company to the Shareholders in January 2018.

The Board does not recommend the payment of an interim dividend for the nine month ended 31 December 2018 (2017: Nil).

#### 5. (LOSS) EARNINGS PER SHARE

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

Three months ended		Nine months ended	
31 December		31 December	
2018	2017	2018	2017
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(unaudited)	(unaudited)	(unaudited)	(unaudited)

##### (Loss) earnings:

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

(53)	829	(3,065)	1,793
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	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	2018	2017
	'000	'000	'000	'000
<b>Number of shares:</b>				
Weighted average number of ordinary shares for the purpose of calculating basic loss/earnings per share	<b>485,736</b>	480,400	<b>482,457</b>	480,400
<b>Effect of diluting potential ordinary Shares:</b>				
Share options issued by the Company	-	-	-	-
<hr/>				
Weighted average number of ordinary shares for the purpose of calculating diluted loss/earnings per share	<b>485,736</b>	480,400	<b>482,457</b>	480,400
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For the three and nine months ended 31 December 2018, the computation of diluted loss per share does not assume the exercise of the Company's share options since their assumed exercise would result in a decrease in loss per share.

For the three and nine months ended 31 December 2017, the computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of shares.

## 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, one anti-aging centre and one beauty spa, at prime locations 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 are achieved through the provision of Consultation Service, Prescription and Dispensing Service and Treatment Service.

For the nine months ended 31 December 2018, the revenue of the Group decreased by approximately HK\$5.9 million, or 13.3%, to approximately HK\$38.6 million, when compared to the nine months ended 31 December 2017. The revenue of Consultation Service, Prescription and Dispensing Service and Treatment Service amounted to approximately HK\$1.4 million, HK\$13.2 million and HK\$24.0 million for the nine months ended 31 December 2018 which accounted for approximately 3.6%, 34.2%, and 62.2% of the total revenue of the Group for the nine months ended 31 December 2018 respectively.

More than half of the Group’s revenue was derived from Treatment Service, which typically involves the injection of Botulinum Toxin Type A and hyaluronic acid, cauterisation, thread lifting and treatments with the use of devices deploying technologies such as laser, radiofrequency and intense focused ultrasound.

The decrease in revenue was primarily attributable to the decrease in the number of clients served by the Group and the number of visits by our clients due to increasing intensified competition in the industry. Approximately 83.8% of our clients were aged between 26 to 55, while approximately 90.0% of our clients were female. Most of the Treatment Service was performed by our doctors, with approximately 84.3% of the revenue from Treatment Service generated from treatments performed by our doctors.

The Group recorded a loss attributable to owners of the Company of approximately HK\$3.1 million for the nine months ended 31 December 2018, as compared to a profit attributable to owners of the Company of approximately HK\$1.8 million for the corresponding period of last year. The turn from profit position to loss was mainly attributable to the combined effect of the additional costs and initial start-up expenses (including endorsement expenses) of approximately HK\$4.4 million incurred by the Group during the current reporting period on the development of its new anti-aging centre located in Tsim Sha Tsui which only commenced formal operation in June 2018; and a decline of approximately HK\$5.9 million of the revenue of the Group for the nine months ended 31 December 2018 as compared to the corresponding period of last year due to ongoing keen competition in the market. Basic loss per share for the period was HK0.64 cent as compared to basic earnings per share of HK0.37 cent for the corresponding period of last year.

To extend our services and product offerings, on 9 June 2018, the Group opened its anti-aging centre, with the brand "Ray Lui's Anti-aging & Health Management Centre" ("**Ray Lui Centre**"), in Tsim Sha Tsui, which provides quality and comprehensive medical aesthetic treatment that helps our clients to stay healthy and young. Ray Lui Centre is ultimately owned as to 51%, 43% and 6% by the Group, Mr. Lui Leung Wai, Ray ("**Mr. Lui**") and his spouse, and another independent third party, respectively. Mr. Lui is a well-known television and movie actor in Hong Kong and China with healthy and positive image. A new skin care product line "Ray Lui by facematter" was established with four new skincare products launched, including youth recovery nourishing cream, serum, collagen face mask and firming eye mask. It is expected that more variety of skin care products will be launched in the market. Mr. Lui, as a strategic partner of the Group, will help the Group to promote the products and services of Ray Lui Centre and expand its business.

To extend our geographical coverage, on 11 June 2018, the Group acquired 51% equity interest in a beauty spa with the brand "MS Medicspa" (formerly known as "Massada Medicspa") ("**MS Medicspa Centre**"), in Causeway Bay, which offers extensive range of professional services from medical treatments to relaxing facial massages and body treatments in a luxurious and relaxing environment. Causeway Bay is a prime location in Hong Kong Island with high pedestrian flow. The approximate size of the site is 1,600 sq ft. The Group is confident that the MS Medicspa Centre will attract more clients of a more geographically diverse customer base. The expansion will also help boost the Group's market penetration in the long term. MS Medicspa Centre had its grand opening on 30 June 2018.

On 29 January 2019, the Company entered into a provisional sale and purchase agreement with an independent third party purchaser, pursuant to which the Company has agreed to sell the entire issued share capital of Golden Dickson (HK) Limited (“**Golden Dickson**”), a property holding company and wholly-owned subsidiary of the Company, which is the sole owner of the property located at the whole of the 25th Floor, Guangdong Tours Centre, 18 Pennington Street, Hong Kong and the shareholder’s loan owed by Golden Dickson to the Company, and the Purchaser has agreed to acquire the same for a consideration of HK\$46.0 million. The parties have agreed to use all their reasonable endeavours to enter into a formal sale and purchase agreement on or before 28 February 2019. It is expected that the completion of the transaction will take place on or before 31 May 2019. For details of the transaction, please refer to the announcement of the Company dated 29 January 2019.

## **OUTLOOK**

The Group welcome the passage of the Private Healthcare Facilities Bill by the Legislative Council in November 2018. The new ordinance will further protect patient safety and consumer rights, it will also facilitate the sustainable development of the healthcare system through the introduction of licensing requirement for private healthcare facilities in Hong Kong. We believe that this new ordinance will ultimately bring higher level of confidence to customers and increase the total spending in the market.

The Group will continue to keep abreast of the latest industry knowledge in order to offer the most suitable, safe and updated services to our clients. The Group continuously performs market research on, and evaluate the effects of the latest products, skills and treatment devices and technology. We 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 very high operating costs base from rental expenses and staff costs as well as intense competition in the industry. Leveraging the support of the capital market, our own strengths, and consumers' pursuance on physical appearance, the Group is cautiously confident about its development in the future. We will continue to use our best endeavors to provide the highest quality of medical skin care services and products to our clients and strengthen our market position so as to grow our brand and business and to maximise returns for our investors.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue decreased by approximately HK\$5.9 million, or 13.3%, from approximately HK\$44.5 million for the nine months ended 31 December 2017 to approximately HK\$38.6 million for the nine months ended 31 December 2018. 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 our clients due to increasing intensified competition in the industry.

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

Other income and gains decreased by approximately HK\$0.8 million, or 88.9%, from approximately HK\$0.9 million for the nine months ended 31 December 2017 to approximately HK\$0.1 million for the nine months ended 31 December 2018. The decrease was primarily attributable to the increase in unrealised exchange loss arising from translation of bank deposits denominated in Renminbi of approximately HK\$0.6 million.

### **Inventories used**

The Group's cost of inventories was approximately HK\$5.9 million and HK\$6.1 million for the nine months ended 31 December 2018 and 2017 respectively, representing 15.3% and 13.6% of the Group's revenue for the respective periods.

### **Staff costs**

Staff costs decreased by approximately HK\$3.0 million, or 13.6%, from approximately HK\$22.0 million for the nine months ended 31 December 2017 to approximately HK\$19.0 million for the nine months ended 31 December 2018. The decrease was primarily attributable to the (i) decrease in share-based payments; and (ii) decrease in performance related incentive payments paid to our doctors due to decline in revenue of the Group during the period.

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

Depreciation expenses remained stable at approximately HK\$3.4 million and HK\$3.2 million for the nine months ended 31 December 2018 and 2017, respectively.

### **Other expenses**

Other expenses increased by approximately HK\$4.8 million, or 42.1%, from approximately HK\$11.4 million for the nine months ended 31 December 2017 to approximately HK\$16.2 million for the nine months ended 31 December 2018. The increase was primarily attributable to the additional costs and initial start-up expenses (including endorsement expenses) of approximately HK\$4.4 million incurred during the current period on the development of Ray Lui Centre located in Tsim Sha Tsui.

### **Income tax expense**

Income tax expense decreased by approximately HK\$886,000, or 96.8%, from approximately HK\$915,000 for the nine months ended 31 December 2017 to approximately HK\$29,000 for the nine months ended 31 December 2018. The decrease was primarily attributable to the decrease in assessable profit of a major operating subsidiary of the Company.

### **Profit for the period**

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company for the nine months ended 31 December 2018 of approximately HK\$3.1 million, as compared to a profit attributable to owners of the Company of approximately HK\$1.8 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 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules were as follows:

#### Long position

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

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

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

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

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

Name of Director	Grant date	Exercise price per share	Vesting period	Exercise period	Number of share options		
					As at 1.4.2018	Granted during the period 31.12.2018	
Kong Chung Wai	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	–	200,000	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	–	400,000	400,000
	15.08.2018	0.433	15.08.2018 – 14.08.2020	15.08.2020 – 14.08.2022	–	200,000	200,000
Sin Chui Pik Christine	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	–	200,000	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	–	400,000	400,000
	15.08.2018	0.433	15.08.2018 – 14.08.2020	15.08.2020 – 14.08.2022	–	200,000	200,000
Chan Cheong Tat	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	–	200,000	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	–	200,000	200,000
Lee Ka Lun	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	–	200,000	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	–	200,000	200,000
Leung Siu Cheung	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	–	200,000	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	–	200,000	200,000
					–	2,800,000	2,800,000

Save as disclosed above, as at 31 December 2018, 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 2018, 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 a)</i>	Beneficial owner	274,865,400	56.59%
Rich Unicorn <i>(note b)</i>	Beneficial owner	80,000,000	16.47%
Fullshare <i>(note b)</i>	Interest in a controlled corporation	80,000,000	16.47%
Magnolia Wealth <i>(note b)</i>	Interest in a controlled corporation	80,000,000	16.47%
Mr. Ji <i>(note b)</i>	Interest in a controlled corporation	80,000,000	16.47%

*Note:*

- (a) The entire issued share capital of Topline is beneficially owned by Dr. Kong. Therefore Dr. Kong is deemed to be interested in all the shares of the Company held by Topline.
- (b) Rich Unicorn is beneficially owned by Fullshare whose issued shares are listed on the Stock Exchange (stock code: 607). Fullshare is in turn owned as to 45.05% by Magnolia Wealth International Limited ("**Magnolia Wealth**"), a company incorporated in the British Virgin Islands with limited liability, whose entire issued share capital is beneficially owned by Mr. Ji Changqun ("**Mr. Ji**"). In addition, Mr. Ji holds 4.61% of Fullshare directly as the beneficial owner. Therefore, Fullshare, Magnolia Wealth and Mr. Ji are deemed to be interested in all the shares held by Rich Unicorn.

Save as disclosed above, as at 31 December 2018, 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 2018.

## **CORPORATE GOVERNANCE CODE**

The Company adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. Except the deviation stipulated below, the Board is satisfied that the Company had complied with the CG Code during the nine months ended 31 December 2018.

In accordance with provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual and their respective responsibilities should be clearly defined in writing. Dr. Kong is the chairman of the Board and the chief executive officer of the Company who is primarily responsible for providing leadership to the Board, overseeing the overall operation of the Group and leading and directing the Group’s overall business and development strategies. 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 2018.

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

During the nine months ended 31 December 2018, 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.

As at 31 December 2018, there were 4,000,000 outstanding share options in aggregate, of which 1,300,000 share options have vested and are issuable for 1,300,000 ordinary shares of the Company under the Share Option Scheme. Details of such outstanding options are the same as disclosed in the interim report of the Company dated 12 November 2018.

## **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 consolidated financial statements of the Group for the nine months ended 31 December 2018 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 February 2019

*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.*