



MEDICSKIN HOLDINGS LIMITED

密迪斯肌控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8307

THIRD QUARTERLY REPORT

2014

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

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This report, for which the directors (the “Directors”) of Medicskin Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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

- The Group's revenue amounted to approximately HK\$50.3 million for the nine months ended 31 December 2014, representing an increase of approximately HK\$2.9 million or 6.1% as compared to the nine months ended 31 December 2013.
- The profit attributable to the owners of the Company was approximately HK\$1.3 million for the nine months ended 31 December 2014, representing a decrease of approximately HK\$11.3 million or 89.7% as compared with the nine months ended 31 December 2013 mainly due to, as highlighted in the Prospectus, the listing expenses of approximately HK\$8.7 million recognised as expenses and the professional fees paid to Dr. Kong of approximately HK\$4.0 million since 1 April 2014 under the Cooperation Agreement during the nine months ended 31 December 2014.
- The Board does not recommend the payment of a dividend for the nine months ended 31 December 2014.

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 three months and the nine months ended 31 December 2014 together with the unaudited comparative figures for the corresponding periods in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months and the nine months ended 31 December 2014

		Three months ended 31 December		Nine months ended 31 December	
		2014	2013	2014	2013
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3	16,937	17,808	50,324	47,387
Other income, gains and losses		–	10	(16)	(44)
Inventories used		(2,175)	(2,235)	(6,240)	(6,186)
Staff costs		(7,700)	(6,698)	(23,012)	(17,555)
Depreciation of property, plant and equipment		(613)	(607)	(1,813)	(1,828)
Other expenses		(2,335)	(2,355)	(6,714)	(6,360)
Finance costs	4	(142)	(52)	(439)	(193)
Listing expenses		(3,248)	–	(8,669)	–
Profit before tax		724	5,871	3,421	15,221
Income tax expense	5	(697)	(1,010)	(2,122)	(2,636)
Profit and total comprehensive income for the period attributable to owners of the Company		27	4,861	1,299	12,585
Earnings per share, basic (HK cents)	7	0.01	1.46	0.39	3.78

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended 31 December 2014

	Attributable to owners of the Company				
	Share capital	Share premium	Capital reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014 (audited)	–	–	1,580	8,806	10,386
Profit and total comprehensive income for the period	–	–	–	1,299	1,299
Recognition of equity-settled share-based payments (note a)	–	–	753	–	753
Issue of shares (note b)	667	39,334	–	–	40,001
Capitalisation Issue (note c)	3,333	(3,333)	–	–	–
Transaction costs attributable to issue of shares	–	(4,223)	–	–	(4,223)
Dividend recognised as distribution (note 6)	–	–	–	(3,200)	(3,200)
At 31 December 2014 (unaudited)	4,000	31,778	2,333	6,905	45,016
At 1 April 2013 (audited)	–	–	581	5,619	6,200
Profit and total comprehensive income for the period	–	–	–	12,585	12,585
Recognition of equity-settled share-based payments (note a)	–	–	753	–	753
Dividend recognised as distribution (note 6)	–	–	–	(3,830)	(3,830)
At 31 December 2013 (unaudited)	–	–	1,334	14,374	15,708

Notes:

- (a) Capital reserve represents deemed contribution from the controlling shareholders (i.e. Dr. Kong Kwok Leung (“Dr. Kong”)) arising from the share reward granted to a staff member 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.
- (b) On 17 December 2014, the Company placed 66,668,000 new shares at HK\$0.6 per share for a total gross proceeds of HK\$40,000,800. The proceeds will be used to finance the implementation plan as set forth in the section headed “Statement of Business Objective and Use of Proceeds” of the prospectus of the Company dated 12 December 2014 (the “Prospectus”).
- (c) Pursuant to the written resolutions passed by the shareholders of the Company on 3 December 2014, after the share premium account of the Company being credited as a result of the placing of the Company’s shares, the Directors were authorised to capitalise the amount of HK\$3,333,319 from the share premium account of the Company and to apply such amount as to pay up in full at par a total 333,331,900 ordinary shares of HK\$0.01 each for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 3 December 2014 in proportion to their then existing shareholdings in the Company (the “Capitalisation Issue”).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2014

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 address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY 1-1104, Cayman Islands. Its principal place of business is located at Room 1206, Tak Shing House, 20 Des Voeux Road Central, Hong Kong.

The shares of the Company were listed on GEM on 18 December 2014.

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

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

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. These unaudited condensed consolidated financial statements should be read in conjunction with the accountants' report of the Group (the "Financial Information") as set out in Appendix I to the Prospectus. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are same as those used in the Financial Information.

In the current period, the Group has applied all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2014. 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 financial statements have been prepared under 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 revenue represents revenue arising from provision of consultation services ("Consultation Service"), prescription and dispensing of medication and/or skincare products ("Prescription and Dispensing Service") and provision of treatments of non-invasive/minimally invasive in nature ("Treatment Service") during the relevant periods.

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

	Three months ended 31 December		Nine months ended 31 December	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Consultation Service	985	1,251	3,237	3,398
Prescription and Dispensing Service	7,708	8,630	23,380	24,247
Treatment Service	8,244	7,927	23,707	19,742
	16,937	17,808	50,324	47,387

The Group's operating activities are attributable to a single operating segment providing Consultation Service, Prescription and Dispensing Service and Treatment Service during the relevant periods. Other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance and allocation of resources. The chief operating decision makers review the results of the Group as a whole to make decisions. Accordingly, other than entity wide information, no other analysis of this single operating segment is presented.

4. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interests on:				
Borrowings wholly repayable within five years	140	47	430	173
Finance leases wholly repayable within five years	2	5	9	20
	142	52	439	193

5. INCOME TAX EXPENSE

	Three months ended 31 December		Nine months ended 31 December	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Income tax expense comprises:				
Hong Kong Profits Tax	774	1,010	2,237	2,683
Deferred tax	(77)	–	(115)	(47)
	697	1,010	2,122	2,636

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

6. DIVIDENDS

During the nine months ended 31 December 2014, dividends 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 (the "Reorganisation"), to its then shareholder (for the nine months ended 31 December 2013: HK\$3,830,000).

The Board does not recommend the payment of dividend for the nine months ended 31 December 2014.

7. EARNINGS PER SHARE

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

Three months ended		Nine months ended	
31 December		31 December	
2014	2013	2014	2013
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings:			
Earnings for the purpose of			
calculating basic earnings			
per share (profit for the period			
attributable to owners of			
the Company)			
27	4,861	1,299	12,585
'000	'000	'000	'000

Number of shares:

Weighted average number of			
ordinary shares for the purpose of			
calculating basic earnings per share			
344,322	333,332	336,981	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 had been effective on 1 April 2013. The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.

No diluted earnings per share was presented as there were no potential ordinary shares in issue during the relevant periods.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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/problems and/or the improvement of appearance of the clients. The Group provides services to the clients for the treatment of, inter alia, skin diseases/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.

The shares of the Company were successfully listed on GEM on 18 December 2014 (the “Listing”) by way of placing (the “Placing”). 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. The net proceeds from the Placing of new shares were approximately HK\$23.5 million, after deducting the listing related expenses. Up to the date of this report, the Group has used approximately HK\$4.9 million for repayment of debts. As at 31 December 2014, the unused proceeds were deposited in a licensed bank in Hong Kong.

Looking forward, the Group will continue strengthening its position so as to grow its brand and business. The Group will strategically expand and strengthen its presence in Hong Kong; continue to enhance the quality and variety of its services and products offering; and maintain and enhance its professional expertise.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$2.9 million, or 6.1%, from approximately HK\$47.4 million for the nine months ended 31 December 2013 to approximately HK\$50.3 million for the nine months ended 31 December 2014. The increase was primarily attributable to the lengthening of opening hours for the Group's Medicskin Centres since October 2013, which has provided better accessibility and convenience to the clients and in turn increased 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\$6.2 million for the nine months ended 31 December 2014 and 2013 respectively, representing 12.3% and 13.1% of the revenue for the respective periods.

Staff costs

Staff costs increased by approximately HK\$5.4 million, or 30.7%, from approximately HK\$17.6 million for the nine months ended 31 December 2013 to approximately HK\$23.0 million for the nine months ended 31 December 2014. The increase was primarily attributable to (i) the compensation paid to Dr. Kong of approximately HK\$4.0 million since 1 April 2014 pursuant to the cooperation agreement as described in the Prospectus (the "Cooperation Agreement"); (ii) the increase in total headcount (including our Doctors) from 55 as at 31 March 2013 to 57 as at 31 December 2014; and (iii) the general annual salary revision for the staff.

Depreciation of property, plant and equipment

Depreciation expenses remained stable at approximately HK\$1.8 million for the nine months ended 31 December 2014 and 2013 respectively.

Other expenses

Other expenses increased by approximately HK\$0.3 million, or 4.7%, from approximately HK\$6.4 million for the nine months ended 31 December 2013 to approximately HK\$6.7 million for the nine months ended 31 December 2014. The increase was primarily attributable to the increase in rental expenses and ancillary costs of the premises (including management fee, air conditioning charges and government rates) by approximately HK\$0.5 million following the leasing of a new unit located on the tenth floor of Tak Shing House in Central.

Listing expenses

During the nine months ended 31 December 2014, the Group recognised non-recurring listing expenses of approximately HK\$8.7 million as expenses in connection with the Listing.

Income tax expense

Income tax expense decreased by approximately HK\$0.5 million, or 19.2%, from approximately HK\$2.6 million for the nine months ended 31 December 2013 to approximately HK\$2.1 million for the nine months ended 31 December 2014. 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, in particular, the listing expenses of approximately HK\$8.7 million recognised as expenses in connection with the Listing for the nine months ended 31 December 2014 and the professional fees paid to Dr. Kong of approximately HK\$4.0 million since 1 April 2014 under the Cooperation Agreement, the profit for the period decreased by approximately HK\$11.3 million, or 89.7%, from approximately HK\$12.6 million for the nine months ended 31 December 2013 to approximately HK\$1.3 million for the nine months ended 31 December 2014.

DISCLOSURE OF INTERESTS

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

As at 31 December 2014, 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 Rules 5.46 of the GEM Listing Rules were as follows:

Long position in the shares

Name of Director	Capacity/ Nature of interest	Number of shares	Percentage of issued share capital
Dr. Kong ^(Note)	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 31 December 2014, 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 31 December 2014, 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 shares

Name	Capacity/ Nature of interest	Number of shares	Percentage of issued share capital
Topline ^(Note)	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 31 December 2014, 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 associates (as defined in the GEM Listing Rules) that compete or may compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person has or may have with the Group since the date of the Listing.

CORPORATE GOVERNANCE CODE

The Company adopted the Corporate Governance Code (the “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 Code during the period from the date of the Listing to 31 December 2014.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors 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 period from the date of the Listing to 31 December 2014.

INTERESTS OF COMPLIANCE ADVISER

As at 31 December 2014, as notified by the Company’s compliance adviser, 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 period from the date of the Listing to 31 December 2014, 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 “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 Scheme and there was no share option outstanding as at 31 December 2014.

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 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 auditors, 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 nine months ended 31 December 2014 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, 9 February 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. Lee Ka Lun, Mr. Leung Siu Cheung and Mr. Chan Cheong Tat.