



MEDICSKIN HOLDINGS LIMITED

密迪斯肌控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8307

INTERIM REPORT

2015/16

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

For the six months ended 30 September 2015

- The Group's revenue amounted to approximately HK\$30.2 million for the six months ended 30 September 2015, representing a decrease of approximately HK\$3.2 million, or 9.6%, as compared to the six months ended 30 September 2014.
- The profit and total comprehensive income for the six months ended 30 September 2015 attributable to the owners of the Company was approximately HK\$1.1 million, representing a decrease of approximately HK\$0.2 million, or 15.4%, as compared to the six months ended 30 September 2014.
- The Board resolved to declare the payment of a special dividend of HK1.5 cents per share for the six months ended 30 September 2015.

UNAUDITED INTERIM RESULTS

The board of directors (the “**Board**”) of the Company is pleased to report the unaudited interim financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2015 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 and six months ended 30 September 2015

	Notes	Three months ended 30 September		Six months ended 30 September	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	2	14,413	16,270	30,166	33,387
Other income, gains and losses		(170)	20	(180)	(15)
Inventories used		(1,933)	(2,012)	(3,907)	(4,065)
Staff costs		(8,101)	(7,588)	(16,942)	(15,313)
Depreciation of property, plant and equipment		(623)	(605)	(1,277)	(1,200)
Other expenses		(3,357)	(2,196)	(6,320)	(4,379)
Finance costs	3	-	(141)	-	(297)
Listing expenses		-	(3,093)	-	(5,421)
Profit before tax	4	229	655	1,540	2,697
Income tax expense	5	(189)	(663)	(475)	(1,425)
Profit (loss) and total comprehensive income (loss) for the period attributable to owners of the Company		40	(8)	1,065	1,272
Earnings (losses) per share, basic (HK cent)	7	0.01	(0.002)	0.27	0.38

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	Notes	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	5,854	4,094
Rental deposits		1,561	–
		7,415	4,094
Current assets			
Inventories		2,765	2,444
Trade receivables	9	256	313
Other receivable, deposits and prepayments		2,014	3,282
Tax recoverable		633	167
Bank balances and cash		44,958	48,023
		50,626	54,229
Current liabilities			
Trade payables	10	485	418
Accrued liabilities		2,727	3,200
Deferred revenue		6,908	7,395
		10,120	11,013
Net current assets		40,506	43,216
Total assets less current liabilities		47,921	47,310
Non-current liability			
Deferred tax liability		127	127
Net assets		47,794	47,183
Capital and reserves			
Share capital	11	4,000	4,000
Reserves		43,794	43,183
Equity attributable to owners of the Company		47,794	47,183

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (note)	Share options 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	–	–	–	–	1,065	1,065
Recognition of equity-settled share-based payments (note 12)	–	–	501	45	–	546
Dividend recognised as distribution (note 6)	–	–	–	–	(1,000)	(1,000)
At 30 September 2015 (unaudited)	4,000	31,670	3,080	45	8,999	47,794
At 1 April 2014 (audited)	–	–	1,580	–	8,806	10,386
Profit and total comprehensive income for the period	–	–	–	–	1,272	1,272
Recognition of equity-settled share-based payments (note 12)	–	–	501	–	–	501
Dividend recognised as distribution (note 6)	–	–	–	–	(3,200)	(3,200)
At 30 September 2014 (unaudited)	–	–	2,081	–	6,878	8,959

Note: The capital reserve represents equity-settled share-based payments as detailed in note 12.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Cash generated from operations	2,080	7,625
Income tax paid	(941)	(713)
NET CASH FROM OPERATING ACTIVITIES	1,139	6,912
INVESTING ACTIVITIES		
Interest received	163	4
Purchase of property, plant and equipment	(3,041)	(827)
Repayment from a director	–	505
NET CASH USED IN INVESTING ACTIVITIES	(2,878)	(318)
FINANCIAL ACTIVITIES		
Interest paid	–	(290)
Dividend paid	(1,000)	(217)
New borrowings raised	–	713
Repayments of borrowings	–	(3,825)
Finance lease charges paid	–	(7)
Repayment of obligations under finance leases	–	(105)
NET CASH USED IN FINANCING ACTIVITIES	(1,000)	(3,731)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,739)	2,863
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	48,023	25,468
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(326)	–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY		
Bank balances and cash	44,958	28,331

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2015

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Group's interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" 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 interim financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2015, except for the accounting policy used for the first time in the current period as disclosed below. The interim financial statements are unaudited, but have been reviewed by the audit committee (the "Audit Committee") of the Company.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options issued to employees and other eligible persons are measured at the fair value of the share options at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"). For those which are effective for accounting period beginning on 1 April 2015, the application has no material impact on the reported results and financial position of the Group for the current and/or prior accounting periods. For those which are not yet effective, the Directors anticipate that the application of those new and revised HKFRSs will have no material on the Group's results and financial position.

2. 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**"), provision of medical skin care treatments which are non-invasive/minimally invasive in nature ("**Treatment Service**") and sale of skincare products ("**Sale of Skincare Products**"). 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**") 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:

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Consultation Service	1,733	2,252
Prescription and Dispensing Service	14,039	15,673
Treatment Service	14,391	15,462
Sale of Skincare Products	3	–
	30,166	33,387

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.

3. FINANCE COSTS

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interests on:		
Borrowings wholly repayable within five years	–	290
Finance leases wholly repayable within five years	–	7
	–	297

4. PROFIT BEFORE TAX

Six months ended
30 September
2015 2014
HK\$'000 *HK\$'000*
(unaudited) (unaudited)

Profit before tax has been arrived at after charging (crediting):

Allowance for bad and doubtful debts	15	73
Allowance for inventories	42	147
Auditor's remuneration	258	138
Depreciation of property, plant and equipment		
— owned assets	1,277	1,137
— leased assets	-	63
	1,277	1,200
Interest income on bank deposits	(163)	(4)
Loss on disposal of property, plant and equipment	2	2
Net foreign exchange loss (gain)	327	(55)
Staff costs		
Directors' emoluments	1,417	618
Other staff costs		
— salaries, allowance and other benefits	14,643	13,885
— share-based payments	546	501
— contributions to retirement benefits schemes	336	309
	16,942	15,313

5. INCOME TAX EXPENSE

Six months ended
30 September
2015 2014
HK\$'000 *HK\$'000*
(unaudited) (unaudited)

Income tax expense comprises:

Current year Hong Kong Profits Tax	475	1,463
Deferred tax charge	-	(38)
	475	1,425

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

6. DIVIDENDS

During the six months ended 30 September 2014, an interim dividend of HK\$3,200,000 was distributed by Multiple Profit Enterprise Limited ("**Multiple Profit**"), 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.

A final dividend in respect of the year ended 31 March 2015 of HK0.25 cent per share, amounting to HK\$1,000,000, was declared and distributed by the Company to the shareholders during the six months ended 30 September 2015.

Subsequent to the end of the reporting period, the Board resolved to declare the payment of a special dividend of HK1.5 cents per share, amounting to HK\$6,000,000, for the six months ended 30 September 2015.

7. EARNINGS (LOSSES) PER SHARE

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

	Three months ended 30 September		Six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Earnings (losses):				
Earnings (losses) for the purpose of calculating basic earnings (losses) per share (profit (loss) for the period attributable to owners of the Company)	40	(8)	1,065	1,272
	'000	'000	'000	'000
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic earnings (losses) per share	400,000	333,332	400,000	333,332

The number of ordinary shares for the purpose of calculating basic earnings (losses) per share has been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined in note 11(e)) had been effective on 1 April 2014.

In current period, the computation of earnings per share does not consider the effect of the Company's outstanding share options as the adjusted exercise price of those options were higher than the average market price of shares.

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

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, the Group acquired property, plant and equipment with a cost of approximately HK\$3,041,000 (six months ended 30 September 2014: HK\$827,000).

9. TRADE RECEIVABLES

The following is an aged analysis of trade receivables net of allowance for bad and doubtful debts presented based on the trade dates for the receivables from the clients settle payments by credit cards and Easy Pay System; and invoice dates for the receivables from the clients and medical card issuing companies at the end of the reporting period, which approximate the respective revenue recognition dates.

	As at 30 September 2015 HK\$'000 (unaudited)	As at 31 March 2015 HK\$'000 (audited)
0–30 days	246	292
31–60 days	5	21
61–90 days	5	–
Total	256	313

The Group's trade receivables were not past due nor impaired at the end of each reporting period and were due from debtors which do not have historical default of payments.

10. TRADE PAYABLES

The average credit period on purchase of goods is 30 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 30 September 2015 HK\$'000 (unaudited)	As at 31 March 2015 HK\$'000 (audited)
0–30 days	485	418

11. SHARE CAPITAL

As at 1 April 2014, 1 share of US\$1 each was issued by Multiple Profit and the share was fully paid by the shareholder.

The share capital as at 31 March 2015 and 30 September 2015 represented the issued share capital of the Company as detailed below:

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
On date of incorporation on 20 June 2014 (<i>note a</i>)	38,000,000	380
Increase on 3 December 2014 (<i>note b</i>)	962,000,000	9,620
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As at 31 March 2015 and 30 September 2015	1,000,000,000	10,000
<hr/>		
Issued:		
1 share allotted and issued, fully paid at par on the date of incorporation (<i>note a</i>)	1	–
Issue of shares on 12 July 2014 pursuant to the Reorganisation (<i>note c</i>)	99	–
Issue of shares (<i>note d</i>)	66,668,000	667
Capitalisation issue (<i>note e</i>)	333,331,900	3,333
<hr/>		
As at 31 March 2015 and 30 September 2015	400,000,000	4,000
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Notes:

- (a) The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On 20 June 2014, one subscriber share was allotted and issued.
- (b) Pursuant to the written resolutions passed by the shareholders on 3 December 2014, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares to HK\$10,000,000 divided into 1,000,000,000 ordinary shares by the creation of additional 962,000,000 new ordinary shares which rank *pari passu* in all respects with the existing issued ordinary shares.

- (c) On 12 July 2014, the Company issued and allotted a further 99 shares of which 97 of such shares were issued and allotted to Topline Worldwide Limited (“**Topline**”), a company wholly owned by Dr. Kong, and 2 of such shares were issued and allotted to Attractive Beauty Limited (“**Attractive Beauty**”), a company wholly owned by Dr. Lam Yee Ming Alice (“**Dr. Lam**”), a doctor of the Group, pursuant to the Reorganisation.
- (d) On 17 December 2014, the Company placed 66,668,000 new shares at HK\$0.6 per share for a total gross proceeds of approximately HK\$40,001,000. 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.
- (e) 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 listing of the Company’s shares on GEM on 18 December 2014 (the “**Listing**”) by way of placing (the “**Placing**”), 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**”).

12. SHARE-BASED PAYMENT TRANSACTIONS

Share Reward

The following table discloses movements of the share reward as defined in the Group’s financial statements contained in the annual report of the Company for the year ended 31 March 2015 (“**Share Reward**”), held by Dr. Lam during the period:

	Outstanding at 1 April 2015	Vested during the period	Outstanding at 30 September 2015
Share Reward	2.42%	0.50%	1.92%
	Outstanding at 1 April 2014	Vested during the year	Outstanding at 31 March 2015
Share Reward	3.42%	1.00%	2.42%

Fair value of the Share Reward granted is expensed over the vesting period, with a corresponding credit to the Group’s capital reserve. For the six months ended 30 September 2015, share-based payment expense of HK\$501,000 (six months ended 30 September 2014: HK\$501,000) was recognised with a corresponding credit recognised in the Group’s capital reserve.

Share Option Scheme

The company adopted a share option scheme (“**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.

A summary of the share options granted under the Share Option Scheme are as follows:

Type of Participants	Grant date	Exercise price per share	Vesting period	Exercise period	Number of share options					As at 30.9.2015
					As at 1.4.2015	Granted	Exercised	Cancelled	Lapsed	
Directors	17.08.2015	0.67	17.08.2015– 16.08.2016	17.08.2016– 16.08.2017	-	1,200,000	-	-	-	1,200,000
Doctors	17.08.2015	0.67	17.08.2015– 16.08.2016	17.08.2016– 16.08.2017	-	800,000	-	-	-	800,000
					-	2,000,000	-	-	-	2,000,000

During the six months ended 30 September 2015, an aggregate of 2,000,000 (six months ended 30 September 2014: nil) share options were granted to certain directors of the Company and certain doctors of the Group. For the share options granted during the period, the granted share options will vest over 1 year commencing from 17 August 2015 to 16 August 2016.

The estimated fair value of the share options granted on 17 August 2015 was approximately HK\$367,000. Their fair value was calculated using the binomial option pricing model.

The inputs into the model were as follows:

Closing share price at date of grant	HK\$0.67
Exercise price	HK\$0.67
Option life	2 years
Expected volatility	49.9%
Dividend yield	0.37%
Risk free interest rate	0.44%

The variables and assumptions used in computing the fair value of the share options are based on the Directors’ best estimate. Changes in variables and assumptions may result in changes in the fair value of the options. Expected volatility was determined by historical daily volatilities of the Company’s share prices as at the valuation date.

During the six months ended 30 September 2015, the Group recognised approximately HK\$45,000 (six months ended 30 September 2014: nil) as an expense in the consolidated statement of profit or loss and other comprehensive income in relation to share options granted by the Company.

13. RELATED PARTY TRANSACTIONS

(a) Transactions

During the period, the Group entered into the following transactions with related parties

Name of related party	Nature of transactions	Six months ended 30 September	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Dr. Kong	Professional fees paid or payable	2,467	2,657
Beauty Tech Investment Limited	Purchase of goods	-	491

Pursuant to the Cooperation Agreement entered into by the Group with Dr. Kong and his sole proprietorship, professional fees were paid to Dr. Kong's sole proprietorship.

Beauty Tech Investment Limited was a fellow subsidiary of the Company and ultimately controlled by Dr. Kong.

During the year ended 31 March 2015, pursuant to the agreement entered among a bank and the Group for the credit card settlement services to the Group, Dr. Kong provided a guarantee to the bank. Dr. Kong did not charge the Group for the guarantee provided. As at 30 September 2015, the guarantee has been released.

(b) Compensation of key management personnel

	Six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Short-term benefits	2,276	1,178
Post-employment benefits	38	34
	2,314	1,212

The remuneration of Directors and key executives is determined having regard to the performance of the individuals.

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 the Placing 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 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 six months ended 30 September 2015, the revenue derived from the Consultation Service, Prescription and Dispensing Service and Treatment Service accounted for approximately 5.7%, 46.5%, and 47.7% of the total revenue of the Group respectively. For the six months ended 30 September 2015, the revenue of the Group decreased by approximately HK\$3.2 million, or 9.6%, when compared to the six months ended 30 September 2014, to approximately HK\$30.2 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.

The Group is devoted to continuously enhancing the quality and variety of its services. During the period under review, we acquired an additional medical device deploying intense focused ultrasound technology targeting skin laxity problems; and a new medical device deploying dual wave length and dual pulse laser featuring picosecond technology targeting benign pigmented lesion. We believe that the introduction of new medical devices is one of the main driving forces for the growth of the Group’s business, and a significant way to maintain our Group’s competitiveness and its leading position in the field. Moreover, the Group is preparing and planning to set up our third medical skin care centre at another prime location in Hong Kong to provide diversified, convenient and easily accessible medical skin care services to our clients, and in turn expand our market share.

We believe that it would be in our Group's interest to follow the global trend of online shopping for bringing new revenue streams to the business. In September 2015, we launched a retail website offering skincare products for sale online. This website is currently at an early trial stage; for the six months ended 30 September 2015, total marketing and operating expenses of approximately HK\$0.4 million has been spent in relation to this website. The website is managed by our new wholly-owned subsidiary, Beauty Choice Investment Limited ("**Beauty Choice**"). While the cost of setting up Beauty Choice and commencing Sale of Skincare Products was immaterial to the Group, our Group plans to commit further resources on marketing for the website to boost public awareness, as we believe that Sale of Skincare Products will make a growing contribution to the Group's future financial results.

OUTLOOK

Although the Group is facing challenges such as potential fluctuations in the global, Hong Kong and PRC economies, slowdown in economic growth in the near future and increasingly fierce competition in the medical skin care industry, the Group remains confident about the future of the medical skin care industry in the region. With the higher growth rate of female population and continuous aging trend in the population of Hong Kong and growing emphasis on a person's physical appearance in society, medical skin care services is becoming more commonplace and it is expected that more people will seek skin care services for improvement of their appearance in the pursuit of beauty and to improve their self-esteem, thereby supporting growth of the medical skin care industry in Hong Kong. Continuing technological innovation and improvement of treatment equipment by manufacturers also offers growth opportunities within the industry for all players.

Online consumption is a trend in the digital era and influences the local retail market. Traditional retail businesses are losing market share as people all over the world increasingly purchase goods over the Internet. As the Sale of Skincare Products is at its initial stage, the Group will continue to explore and launch new skincare products to enhance the quality, effectiveness and variety of our products and invest in infrastructure to enhance our competitiveness.

The Group will continue using our best endeavors to provide the highest quality medical skin care services and products to our clients; and strengthening its position so as to grow its brand and business.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK\$3.2 million, or 9.6%, from approximately HK\$33.4 million for the six months ended 30 September 2014 to approximately HK\$30.2 million for the six months ended 30 September 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\$4.1 million and HK\$3.9 million for the six months ended 30 September 2014 and 2015 respectively, representing 12.3% and 12.9% of the revenue for the respective periods.

Staff costs

Staff costs increased by approximately HK\$1.6 million, or 10.5%, from approximately HK\$15.3 million for the six months ended 30 September 2014 to approximately HK\$16.9 million for the six months ended 30 September 2015. The increase was primarily attributable to the new hiring, the 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 8.3%, from approximately HK\$1.2 million for the six months ended 30 September 2014 to approximately HK\$1.3 million for the six months ended 30 September 2015. The increase was primarily attributable to the purchases of medical equipment during the six months ended 30 September 2015.

Other expenses

Other expenses increased by approximately HK\$1.9 million, or 43.2%, from approximately HK\$4.4 million for the six months ended 30 September 2014 to approximately HK\$6.3 million for the six months ended 30 September 2015. The increase were primarily attributable to the increase in recurring professional fees incurred of approximately HK\$1.1 million since the Listing; and increase in marketing expenses and operating costs by HK\$0.4 million in relation to Sale of Skincare Products.

Listing expenses

During the six months ended 30 September 2015, no non-recurring listing expenses was recognised as expenses in connection with the Listing (for six months ended 30 September 2014: approximately HK\$5.4 million).

Income tax expense

Income tax expense decreased by approximately HK\$0.9 million, or 64.3%, from approximately HK\$1.4 million for the six months ended 30 September 2014 to approximately HK\$0.5 million for the six months ended 30 September 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\$0.2 million, or 15.4%, from approximately HK\$1.3 million for the six months ended 30 September 2014 to approximately HK\$1.1 million for the six months ended 30 September 2015.

DIVIDEND

On 11 November, 2015, the Board resolved to declare the payment of a special dividend of HK1.5 cents per share for the six months ended 30 September 2015 to the shareholders whose names appear on the register of members of the Company on Monday, 30 November 2015 and the special dividend will be posted on Thursday, 10 December 2015 by ordinary mail to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 30 November 2015. Based on 400,000,000 ordinary shares of the Company in issue as of the date of this report, the total dividend will amount to HK\$6.0 million.

As far as the Company is aware, as at the date of this report, there was no arrangement under which any shareholder has waived or agreed to waive any dividend to be distributed for the six months ended 30 September 2015.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the special dividend, the register of members of the Company will be closed on Thursday, 26 November 2015 to Monday, 30 November 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the special dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 25 November 2015.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group's shares were successfully listed on GEM of the Stock Exchange on 18 December 2014. There has been no change in the capital structure of the Group since then. The capital of the Group only comprises of ordinary shares.

The total equity of the Group as at 30 September 2015 was HK\$47.8 million (31 March 2015: HK\$47.2 million). The Group generally finances its operation with internally generated cash flows. The Group had bank balances and cash of approximately HK\$45.0 million as at 30 September 2015 (31 March 2015: HK\$48.0 million), with no external borrowing (31 March 2015: nil). As at 30 September 2015, the Group had net current assets of approximately HK\$40.5 million (31 March 2015: HK\$43.2 million).

Cash generated from operations for the six months ended 30 September 2015 was approximately HK\$2.1 million (six months ended 30 September 2014: HK\$7.6 million). With the healthy bank balances and cash on hand, the Group's liquidity position remains strong and it has sufficient financial resources to fund its future plans and to meet its working capital requirement.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the six months ended 30 September 2015, there was no significant investment held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed above and in the Prospectus, the Group does not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the period.

COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of its office premises and Medicskin Centres. As at 30 September 2015, the Group's operating lease commitments amounted to approximately HK\$8.8 million (31 March 2015: HK\$3.4 million).

As at 30 September 2015, the Group did not have any significant capital commitments (31 March 2015: nil).

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2015, the Group pledged its bank balances of HK\$8.5 million (31 March 2015: nil) as securities for credit card settlement services provided by a bank to the Group.

CONTINGENT LIABILITIES

As at 30 September 2015, the Group did not have material contingent liabilities (31 March 2015: nil).

FOREIGN EXCHANGE EXPOSURE

The Group carries out its business in Hong Kong and most of its transactions are denominated in Hong Kong. The Group has a bank balance denominated in Renminbi ("RMB") (a foreign currency), which exposes the Group to foreign currency risk. To mitigate the currency risk, the management continually assesses and monitors the exposure of the exchange rate fluctuations and if necessary will hedge its foreign exchange exposure by entering forward foreign exchange contracts. As at 30 September 2015, a bank balance of approximately HK\$12.7 million (31 March 2015: HK\$4.5 million) was denominated in RMB.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2015, the Group employed a total of 50 full-time and 5 part-time employees (31 March 2015: 54 full-time and 4 part-time employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$16.9 million for the six months ended 30 September 2015 (six months ended 30 September 2014: HK\$15.3 million). Remuneration is determined with reference to factors such as comparable market salaries and the performance, time commitment and responsibilities of each individual. Employees are provided with relevant in-house and/or external trainings from time to time. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the date of the Listing to 30 September 2015 is set out below:

Business objectives	Actual progress
(i) Expand and strengthen our presence in Hong Kong	The Group is in the process of exploring and identifying locations for potential new medical skin care centre and considering the need for relocation or refurbishment of the Group's Medicskin Centre in Central
(ii) Enhance quality and variety of our services and products offering	The Group has purchased a new medical device deploying high-intensity ultrasound energy technology targeting abdominal fat and waistline contouring; an additional medical device deploying intense focused ultrasound technology targeting skin laxity problems; and a new medical device deploying dual wave length and dual pulse laser featuring picosecond technology targeting benign pigmented lesion
(iii) Maintain and enhance our professional expertise	The Group has organised and provided trainings to our doctors and professional staff

USE OF PROCEEDS

The net proceeds from the Placing were approximately HK\$22.9 million, which was based on the placing price of HK\$0.6 per share and the actual expenses related to the Listing. After the Listing, these proceeds were and will be used for the purposes in accordance with the future plans as set out in the Prospectus.

The net proceeds from the Placing from the date of the Listing to 30 September 2015 were used as follows:

	Planned use of proceeds as shown in the Prospectus from the date of the Listing to 30 September 2015 (adjusted on a pro rata basis based on the actual net proceeds) HK\$'000	Actual use of proceeds from the date of the Listing to 30 September 2015 HK\$'000	Unutilised amount as at 30 September 2015 HK\$'000 (note a)
Expand and strengthen our presence in Hong Kong	7,087	–	7,087
Enhance quality and variety of our services (note b)	4,072	(2,985)	1,087
Repayment of debts	4,777	(4,777)	–
Working capital	2,293	(2,293)	–
	18,229	(10,055)	8,174

Notes:

- (a) The unused proceeds are deposited in a licensed bank in Hong Kong.
- (b) Actual use of proceeds on expand and strengthen our presence in Hong Kong and enhance quality and variety of our services was lower than the planned use of proceeds because the Group's business and product development is still in the process of exploring and identifying locations for potential new medical skin care centre and exploring suitable skincare products and technology both locally and abroad, and researching suitable treatment device for the Group's clients.

DISCLOSURE OF INTERESTS

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

As at 30 September 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

(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	290,000,040	72.50%

Note: The 290,000,040 shares are registered in the name of 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 Share Option Scheme were as follows:

Name of Director	Grant date	Exercise price per share	Vesting period	Exercise period	As at 1.4.2015	Number of share options				As at 30.9.2015	
						Granted	Exercise	Cancelled	Lapsed		
Chan Cheong Tat	17.08.2015	0.67	17.08.2015– 16.08.2016	17.08.2016– 16.08.2017	-	400,000	-	-	-	400,000	
Lee Ka Lun	17.08.2015	0.67	17.08.2015– 16.08.2016	17.08.2016– 16.08.2017	-	400,000	-	-	-	400,000	
Leung Siu Cheung	17.08.2015	0.67	17.08.2015– 16.08.2016	17.08.2016– 16.08.2017	-	400,000	-	-	-	400,000	
						-	1,200,000	-	-	-	1,200,000

Save as disclosed above, as at 30 September 2015, 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 30 September 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

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 30 September 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 six months ended 30 September 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 six months ended 30 September 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 six months ended 30 September 2015.

INTERESTS OF COMPLIANCE ADVISER

As at 30 September 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**"), 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 six months ended 30 September 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

Details of the Share Option Scheme are set out in note 12 to the interim financial statements.

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 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 interim financial statements of the Group for the six months ended 30 September 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, 11 November 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.