



**INTERIM
REPORT
2017/2018**

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

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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

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 2017 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 2017

	Notes	Three months ended 30 September		Six months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	2	14,956	14,634	29,953	28,785
Other income, gains and losses		286	37	554	52
Inventories used		(1,918)	(1,901)	(3,890)	(3,594)
Staff costs		(7,756)	(7,484)	(15,049)	(14,707)
Depreciation of property, plant and equipment		(1,061)	(802)	(2,143)	(1,372)
Other expenses		(3,856)	(3,868)	(7,735)	(7,731)
<hr/>					
Profit before tax	3	651	616	1,690	1,433
Income tax expense	4	(396)	(380)	(726)	(483)
<hr/>					
Profit and total comprehensive income for the period attributable to owners of the Company		255	236	964	950
<hr/>					
Earnings per share, basic (HK cent)	6	0.05	0.06	0.20	0.24
<hr/>					
Earnings per share, diluted (HK cent)	6	0.05	0.06	0.20	0.24
<hr/>					

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	7	54,448	56,037
Rental deposits		1,210	2,421
Deposits paid for purchase of property, plant and equipment		–	172
		55,658	58,630
Current assets			
Inventories		3,495	3,699
Trade receivables	8	500	605
Deposits and prepayments		2,344	1,269
Tax recoverable		–	67
Pledged bank deposits		8,500	8,500
Bank balances and cash		32,887	28,496
		47,726	42,636
Current liabilities			
Trade payables	9	959	985
Other payable		285	–
Accrued liabilities		3,062	3,346
Deferred revenue		15,230	14,167
Tax payable		598	–
		20,134	18,498
Net current assets		27,592	24,138
Total assets less current liabilities		83,250	82,768
Non-current liability			
Deferred tax liability		230	170
Net assets		83,020	82,598
Capital and reserves			
Share capital	10	4,804	4,804
Reserves		78,216	77,794
Equity attributable to owners of the Company		83,020	82,598

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	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 2017 (audited)	4,804	72,463	1,181	294	3,856	82,598
Profit and total comprehensive income for the period	-	-	-	-	964	964
Recognition of equity-settled share-based payments (note 11)	-	-	419	-	-	419
Expiry of share options	-	-	-	(294)	294	-
Transfer to retained profits	-	-	(1,600)	-	1,600	-
Dividend recognised as distribution (note 5)	-	-	-	-	(961)	(961)
At 30 September 2017 (unaudited)	4,804	72,463	-	-	5,753	83,020
At 1 April 2016 (audited)	4,000	31,670	182	228	1,688	37,768
Profit and total comprehensive income for the period	-	-	-	-	950	950
Recognition of equity-settled share-based payments (note 11)	-	-	499	139	-	638
Dividends recognised as distribution (note 5)	-	(9,000)	-	-	(1,000)	(10,000)
At 30 September 2016 (unaudited)	4,000	22,670	681	367	1,638	29,356

Note: The capital reserve represents equity-settled share-based payments as detailed in note 11.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Cash generated from (used in) operations	5,866	(23)
Income tax paid	–	(687)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	5,866	(710)
INVESTING ACTIVITIES		
Interest received	40	39
Proceeds from disposal of property, plant and equipment	–	30
Purchase of property, plant and equipment	(554)	(3,496)
NET CASH USED IN INVESTING ACTIVITIES	(514)	(3,427)
FINANCIAL ACTIVITY		
Dividend paid	(961)	(10,000)
CASH USED IN FINANCING ACTIVITY	(961)	(10,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,391	(14,137)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	28,496	30,032
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY		
Bank balances and cash	32,887	15,895

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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 2017. The interim financial statements are unaudited, but have been reviewed by the audit committee (the "**Audit Committee**") of the Company.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**"). For those which are effective for accounting period beginning on 1 April 2017, 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 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 including sale of skincare products ("**Prescription and Dispensing Service**") and 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. The chief operating decision makers ("**CODM**") review the Group's revenue analysis by services and products in order to assess performance and allocation of resources.

Revenue by services and products

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Consultation Service	1,532	2,083
Prescription and Dispensing Service	11,009	12,259
Treatment Service	17,412	14,443
	29,953	28,785

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. PROFIT BEFORE TAX

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Profit before tax has been arrived at after charging (crediting):		
Allowance for bad and doubtful debts	–	7
Allowance (reversal of allowance) for inventories	8	(38)
Depreciation of property, plant and equipment	2,143	1,372
Gain on disposal of property, plant and equipment	–	(30)
Interest income on bank deposits	(40)	(39)
Loss on write-off of property, plant and equipment	–	15
Net foreign exchange loss	5	1
Staff costs		
Directors' emoluments	5,262	1,288
Other staff costs		
– salaries, allowance and other benefits	9,115	12,585
– share-based payments (<i>note 11</i>)	419	555
– contributions to retirement benefits schemes	253	279
	15,049	14,707

4. INCOME TAX EXPENSE

Six months ended	
30 September	
2017	2016
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(unaudited)

Income tax expense comprises:

Hong Kong Profits Tax		
Current year	650	340
Underprovision in prior year	16	–
Deferred tax charge	60	143
	<hr/>	
	726	483
	<hr/>	

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

5. DIVIDENDS

A final dividend of HK0.25 cent per share and a special dividend of HK2.25 cents per share in respect of the year ended 31 March 2016, amounting to HK\$1,000,000 and HK\$9,000,000 respectively, were approved by the shareholders in the annual general meeting and distributed by the Company to the shareholders during the six months ended 30 September 2016.

A final dividend in respect of the year ended 31 March 2017 of HK0.2 cent per share, amounting to HK\$961,000, was declared and distributed by the Company to the shareholders during the six months ended 30 September 2017.

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017 (2016: nil).

6. EARNINGS PER SHARE

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

	Three months ended 30 September		Six months ended 30 September	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings:				
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	255	236	964	950
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	480,400	400,000	480,400	400,000
Effect of diluting potential ordinary shares:				
Share options issued by the Company	–	64	–	197
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	480,400	400,064	480,400	400,197

In current period, 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 for shares for the three months ended 30 September 2017 and six months ended 30 September 2017.

7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired property, plant and equipment of approximately HK\$554,000 (six months ended 30 September 2016: HK\$4,801,000).

8. 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 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
0-30 days	490	522
31-60 days	10	58
61-90 days	–	25
<hr/>		
Total	500	605

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.

9. 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 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
0-30 days	959	985

10. SHARE CAPITAL

The share capital as at 31 March 2017 and 30 September 2017 represented the issued share capital of the Company as detailed below:

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 April 2016, 31 March 2017 and 30 September 2017	1,000,000,000	10,000
Issued:		
As at 1 April 2016	400,000,000	4,000
Exercise of share options	400,000	4
Issue of shares (<i>note</i>)	80,000,000	800
At 31 March 2017 and 30 September 2017	480,400,000	4,804

Note: On 25 October 2016, the Company issue 80,000,000 shares at HK\$0.648 per share for a total gross proceeds of approximately HK\$51,840,000.

11. SHARE-BASED PAYMENT TRANSACTIONS

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	As at 1.4.2017	Number of share options				As at 30.9.2017
						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)	-
Others	17.08.2015	0.67	17.08.2015 – 16.08.2016	17.08.2016 – 16.08.2017	400,000	-	-	-	(400,000)	-
					1,600,000	-	-	-	(1,600,000)	-

On 17 August 2015, an aggregate of 2,000,000 share options were granted to certain directors of the Company and certain doctors of the Group. The granted share options were vested 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 367,000. Their fair value was calculated using the binomial option pricing model.

During the six months ended 30 September 2016, the Group recognised approximately HK\$139,000 as an expense in the consolidated statement of profit or loss and other comprehensive income in relation to share options granted by the Company.

On 13 October 2016, a total of 400,000 ordinary shares of the Company were allotted to a grantee (other than Directors) who exercised the share options granted to him pursuant to the Share Option Scheme.

On 17 August 2017, a total of 1,600,000 share options under the Share Option Scheme were lapsed as they were still not exercised at the expiry date. The amount previously recognised in the share options reserve was transferred to retained profits during the six months ended 30 September 2017.

As at the date of this report, no share options were outstanding under the Share Option Scheme.

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 2017 ("Share Reward"), held by Dr. Lam during the period:

	Outstanding at 1 April 2017	Vested during the period	Outstanding at 30 September 2017
Share Reward	0.42%	0.42%	–
	Outstanding at 1 April 2016	Vested during the year	Outstanding at 31 March 2017
Share Reward	1.42%	1.00%	0.42%

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 2017, share-based payment expense of HK\$419,000 (six months ended 30 September 2016: HK\$499,000) was recognised with a corresponding credit recognised in the Group's capital reserve.

12. 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	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Dr. Kong Kwok Leung ("Dr. Kong")	Professional fees paid or payable (note)	-	2,327
Dr. Kong	Sales of goods	-	9

Note: Prior period amount represented the professional fees paid to Dr. Kong's sole proprietorship pursuant to the cooperation agreement entered into by the Group and Dr. Kong. The Group and Dr. Kong have mutually agreed to terminate the cooperation agreement with effect from 1 January 2017.

(b) Compensation of key management personnel

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Short-term benefits	5,497	2,021
Post-employment benefits	45	38
	5,542	2,059

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 branded “Medicskin” (“**Medicskin Centres**”) 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 six months ended 30 September 2017, the revenue of the Group increased by approximately HK\$1.2 million, or 4.1%, to approximately HK\$30.0 million, when compared to the six months ended 30 September 2016. The revenue of Consultation Service, Prescription and Dispensing Service and Treatment Service amounted to approximately HK\$1.6 million, HK\$11.0 million and HK\$17.4 million for the six months ended 30 September 2017 which accounted for approximately 5.1%, 36.8%, and 58.1% of the total revenue of the Group for the six months ended 30 September 2017 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, and treatments with the use of devices deploying technologies such as laser, radiofrequency and intense focused ultrasound. The Group’s revenue derived from Treatment Service increased by approximately HK\$3.0 million, or 20.6%, to approximately HK\$17.4 million, when compared to the six months ended 30 September 2016. Such increase in revenue was primarily attributable to the increase in the number of client visits and average revenue (per visit) from Treatment Service.

The Group’s net profit attributable to the shareholders for the six months ended 30 September 2017 was approximately HK\$1.0 million, which is similar to that of the corresponding period of last year. Basic earnings per share for the six months ended 30 September 2017 was HK0.20 cent per share as compared to HK0.24 cent per share of the last corresponding period.

The Group is planning to open an anti-aging centre (the “**Anti-aging Centre**”) in Tsim Sha Tsui and is in the process of negotiation with an independent third party in respect of a possible strategic cooperation. The Anti-aging Centre aims to provide quality and comprehensive medical aesthetic treatment that helps our clients to stay healthy and young.

OUTLOOK

With strong local currency and anticipated interest rate rise, the weak market condition in Hong Kong is expected to persist in this year. It is expected that the Group will continue facing very high operating costs base from rental expenses and staff costs as well as intense competition in the industry.

The proposed legislation by the government of Hong Kong to strengthen regulation and enhance standards, aiming to protect patients’ safety and consumer rights as well as contribute to the sustainable development of the local healthcare system may introduce a change in compliance standards in connection with the delivery of treatments, enhance the level of safety in the industry and 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 and updated services to our clients. The Group continuously performs market research on the development of, 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. We also believe the Anti-aging Centre to be opened in Tsim Sha Tsui and the new skin care centre to be opened in Causeway Bay would attract new clients and ultimately increase market penetration and profitability of the Group.

Leveraging the support of the capital market, our own strengths, and person’s pursuing 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 strengthening our market position so as to grow our brand and business and to maximise returns for our investors.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$1.2 million, or 4.1%, from approximately HK\$28.8 million for the six months ended 30 September 2016 to approximately HK\$30.0 million for the six months ended 30 September 2017. The increase was primarily attributable to the increase in the number of client visits and average revenue (per visit) from Treatment Service.

Inventories used

The Group's cost of inventories was approximately HK\$3.9 million and HK\$3.6 million for the six months ended 30 September 2017 and 2016 respectively, representing 13.0% and 12.5% of the Group's revenue for the respective periods.

Staff costs

Staff costs increased by approximately HK\$0.3 million, or 2.3%, from approximately HK\$14.7 million for the six months ended 30 September 2016 to approximately HK\$15.0 million for the six months ended 30 September 2017. The increase was primarily attributable to the annual revision of remuneration to staff during the period.

Depreciation of property, plant and equipment

Depreciation expenses of property, plant and equipment increased by approximately HK\$0.7 million, or 56.2%, from approximately HK\$1.4 million for the six months ended 30 September 2016 to approximately HK\$2.1 million for the six months ended 30 September 2017. The increase was primarily attributable to (i) the acquisition of property in Causeway Bay in March 2017 as set out in the announcements of the Company dated 24 January 2017 and 29 March 2017 and the circular of the Company dated 14 March 2017; and (ii) the purchases of property, plant and equipment due to relocation of Medicskin Centre in Central in May 2017.

Other expenses

Other expenses remained stable at approximately HK\$7.7 million for the six months ended 30 September 2017 and 2016.

Income tax expense

Income tax expense increased by approximately HK\$0.2 million, or 50.3%, from approximately HK\$0.5 million for the six months ended 30 September 2016 to approximately HK\$0.7 million for the six months ended 30 September 2017. The increase was primarily attributable to the increase in assessable profit of a major operating subsidiary.

Profit for the period

As a result of the foregoing, the profit for the six months ended 30 September 2017 was approximately HK\$1.0 million, which is similar to that of corresponding period of last year.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The capital of the Group only comprises ordinary shares.

The total equity of the Group as at 30 September 2017 was approximately HK\$83.0 million (31 March 2017: approximately HK\$82.6 million). The Group generally finances its operation with internally generated cash flows. The Group had bank balances and cash of approximately HK\$32.9 million as at 30 September 2017 (31 March 2017: approximately HK\$28.5 million), with no external borrowing (31 March 2017: nil). As at 30 September 2017, the Group had net current assets of approximately HK\$27.6 million (31 March 2017: approximately HK\$24.1 million).

Cash generated from operations for the six months ended 30 September 2017 was approximately HK\$5.9 million (six months ended 30 September 2016: cash used in operations approximately HK\$0.02 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. As at 30 September 2017, the Group had unused banking facilities of HK\$10.0 million (31 March 2017: HK\$4.0 million).

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the six months ended 30 September 2017, 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 issued by the Company dated 12 December 2014 (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 six months ended 30 September 2017.

COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of its office premises and Medicskin Centres. As at 30 September 2017, the Group's operating lease commitments amounted to approximately HK\$8.2 million (31 March 2017: approximately HK\$11.3 million).

A property was acquired by the Group on 24 March 2017. The property has been occupied by a tenant. Vacant possession of the property will be delivered to the Group upon the expiration of the existing lease which is expected to end on 21 February 2018 (the "**Lease**"). The property is classified as property, plant and equipment as the property will be used as a new medical skin care centre of the Group upon expiration of the Lease. As at 30 September 2017, the Group had contracted with a tenant for future minimum lease payments of approximately HK\$0.3 million (31 March 2017: approximately HK\$0.9 million).

As at 30 September 2017, the Group did not have any significant capital commitments (31 March 2017: approximately HK\$178,000 in respect of acquisition of property, plant and equipment).

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2017, the Group pledged its leasehold land and building of HK\$48.1 million (31 March 2017: nil) and bank balances of HK\$8.5 million (31 March 2017: HK\$8.5 million) as securities for credit card settlement services and banking facilities provided by a bank to the Group.

CONTINGENT LIABILITIES

As at 30 September 2017, the Group did not have material contingent liabilities (31 March 2017: 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 currently does not have significant foreign currency exposure. The management continually assesses and monitors the foreign exchange exposure and, if necessary, will hedge its foreign exchange exposure by entering forward foreign exchange contracts.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2017, the Group employed a total of 45 full-time and 3 part-time employees (31 March 2017: 45 full-time and 3 part-time employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$15.0 million for the six months ended 30 September 2017 (six months ended 30 September 2016: HK\$14.7 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. The Group has adopted the Share Option Scheme on 3 December 2014 under which the Company may grant share options to eligible employees for subscribing the shares.

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 2017 is set out below:

Business objectives

Actual progress

- | | |
|--|--|
| (i) Expand and strengthen our presence in Hong Kong | <ul style="list-style-type: none">– The Group used approximately HK\$6.4 million for relocation of its Central Medicskin Centre to another prime location within the Central district. The new Centre Medicskin Centre was opened in May 2016.– The Group has acquired the Property on 24 March 2017. Upon expiration of the existing lease of the Property in February 2018, the Property will be used as a new skin care centre of the Group. |
| (ii) Enhance quality and variety of our services and products offering | The Group used approximately HK\$4.1 million for enhancement of quality and variety of its services and products offerings in which HK\$3.4 million was used for purchase of new medical devices and HK\$0.7 million was used for development and procurement of new skin care products. |
| (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 (as defined in the Prospectus) 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 2017 were used as follows:

	Planned use of proceeds as shown in the Prospectus from the date of the Listing to 30 September 2017 (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 2017 HK\$'000	Unutilised amount as at 30 September 2017 HK\$'000 (note a)
Expand and strengthen our presence in Hong Kong (note b)	11,804	(6,437)	5,367
Enhance quality and variety of our services	4,072	(4,072)	–
Repayment of debts	4,777	(4,777)	–
Working capital	2,293	(2,293)	–
	22,946	(17,579)	5,367

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 was lower than the planned use of proceeds because the Group planned to open a new skin care centre at the Property upon expiration of the existing lease of the Property which is expected to end on or before 21 February 2018.

DISCLOSURE OF INTERESTS

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

As at 30 September 2017, 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 to 5.67 of the GEM Listing Rules were as follows:

Long position

(a) Ordinary shares of the Company

Name of Director	Capacity/ Nature of interest	Number of shares	Percentage of issued share capital
Dr. Kong ^(note)	Interest in a controlled corporation	270,333,400	56.27%

Note: The 270,333,400 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 Share Option Scheme were as follows:

Name of Director	Grant date	Exercise price per share	Vesting period	Exercise period	As at 1.4.2017	Number of share options				As at 30.9.2017
						Granted	Exercised	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 2017, 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 2017, 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	270,333,400	56.27%
Rich Unicorn <i>(note b)</i>	Beneficial owner	80,000,000	16.65%
Fullshare <i>(note b)</i>	Interest in a controlled corporation	80,000,000	16.65%
Magnolia Wealth <i>(note b)</i>	Interest in a controlled corporation	80,000,000	16.65%
Mr. Ji <i>(note b)</i>	Interest in a controlled corporation	80,000,000	16.65%

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 Holdings Limited ("**Rich Unicorn**") is beneficially owned by Fullshare Holdings Limited ("**Fullshare**") whose issued shares are listed on the Stock Exchange (stock code: 607). Fullshare is in turn owned as to 46.58% 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 4.78% 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 30 September 2017, 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 2017.

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 2017.

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 with 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 2017.

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

During the six months ended 30 September 2017, 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 11 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 2017 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, 14 November 2017

As at the date of this report, the executive Directors are Dr. Kong Kwok Leung, Mr. Lo Kwok Bun, 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.