

INTERIM REPORT
2018/2019



MEDIC  **SKIN**

MEDICSKIN HOLDINGS LIMITED

密迪斯肌控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 8307

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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 2018 together with the comparative unaudited figures for the corresponding period of last year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 September 2018

	Notes	Three months ended 30 September		Six months ended 30 September	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	2	12,863	14,956	24,994	29,953
Other income, gains and losses		(45)	286	(94)	554
Inventories used		(1,948)	(1,918)	(3,743)	(3,890)
Staff costs		(6,701)	(7,756)	(12,614)	(15,049)
Depreciation		(1,130)	(1,061)	(2,147)	(2,143)
Other expenses		(6,232)	(3,856)	(11,545)	(7,735)
(Loss) profit before tax	3	(3,193)	651	(5,149)	1,690
Income tax expense	4	–	(396)	(110)	(726)
(Loss) profit and total comprehensive (expense) income for the period		(3,193)	255	(5,259)	964
(Loss) profit and total comprehensive (expense) income for the period attributable to:					
Owners of the Company		(1,910)	255	(3,012)	964
Non-controlling interests		(1,283)	–	(2,247)	–
		(3,193)	255	(5,259)	964
(Loss) earnings per share, basic (HK cent)	6	(0.40)	0.05	(0.63)	0.20
(Loss) earnings per share, diluted (HK cent)	6	(0.40)	0.05	(0.63)	0.20

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	7	30,490	52,616
Investment property		23,218	–
Rental deposits		1,426	1,650
Deposits paid for purchase of property, plant and equipment		–	75
		55,134	54,341
Current assets			
Inventories		2,689	3,031
Trade receivables	8	682	279
Deposits and prepayments		4,345	3,592
Amount due from non-controlling interests of a subsidiary		200	–
Bank balances and cash		19,492	18,746
		27,408	25,648
Current liabilities			
Trade payables	9	400	423
Other payable and accrued liabilities		2,936	2,403
Deferred revenue		20,818	15,895
Tax payable		175	65
		24,329	18,786
Net current assets		3,079	6,862
Total assets less current liabilities		58,213	61,203
Non-current liability			
Deferred tax liability		115	115
Net assets		58,098	61,088
Capital and reserves			
Share capital	10	4,857	4,804
Reserves		54,969	55,765
Equity attributable to owners of the Company		59,826	60,569
Non-controlling interests		(1,728)	519
Total equity		58,098	61,088

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company					Total	Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Share options reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000 (note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2018 (audited)	4,804	48,443	-	-	7,322	60,569	519	61,088
Loss and total comprehensive expense for the period	-	-	-	-	(3,012)	(3,012)	(2,247)	(5,259)
Recognition of equity-settled share-based payments (note 11)	-	-	-	165	-	165	-	165
Issue of shares (note 10)	53	2,775	-	-	-	2,828	-	2,828
Transaction costs attributable to issue of shares	-	(3)	-	-	-	(3)	-	(3)
Dividend recognised as distribution (note 5)	-	-	-	-	(721)	(721)	-	(721)
At 30 September 2018 (unaudited)	4,857	51,215	-	165	3,589	59,826	(1,728)	58,098
At 1 April 2017 (audited)	4,804	72,463	1,181	294	3,856	82,598	-	82,598
Profit and total comprehensive income for the period	-	-	-	-	964	964	-	964
Recognition of equity-settled share-based payments (note 11)	-	-	419	-	-	419	-	419
Expiry of share options	-	-	-	(294)	294	-	-	-
Transfer to retained profits	-	-	(1,600)	-	1,600	-	-	-
Dividend recognised as distribution (note 5)	-	-	-	-	(961)	(961)	-	(961)
At 30 September 2017 (unaudited)	4,804	72,463	-	-	5,753	83,020	-	83,020

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 2018

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Cash generated from operations	1,081	5,866
<hr/>		
NET CASH FROM OPERATING ACTIVITIES	1,081	5,866
<hr/>		
INVESTING ACTIVITIES		
Interest received	180	40
Purchase of property, plant and equipment	(2,593)	(554)
Acquisition of a subsidiary	(26)	–
<hr/>		
NET CASH USED IN INVESTING ACTIVITIES	(2,439)	(514)
<hr/>		
FINANCIAL ACTIVITIES		
Dividend paid	(721)	(961)
Proceeds from issue of shares	2,828	–
Transaction costs attributable to issue of shares	(3)	–
<hr/>		
CASH FROM (USED IN) FINANCING ACTIVITIES	2,104	(961)
<hr/>		
NET INCREASE IN CASH AND CASH EQUIVALENTS	746	4,391
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	18,746	28,496
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CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY		
Bank balances and cash	19,492	32,887
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NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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 2018, 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.

Investment properties

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

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

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

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

2. REVENUE AND SEGMENT INFORMATION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The Group's operating activities are attributable to a single operating segment focusing on 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 skin care treatments ("**Treatment Service**"). This operating segment has been identified on the basis of internal management reports prepared in accordance with the Group's accounting policies. Dr. Kong Kwok Leung ("**Dr. Kong**"), the chief executive officer of the Company, has been identified as the chief operating decision maker ("**CODM**"). The CODM reviews the Group's revenue analysis by services and products in order to assess performance and allocation of resources.

Revenue from major services and products

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Consultation Service	939	1,532
Prescription and Dispensing Service	8,565	11,009
Treatment Service	15,490	17,412
	<hr/>	<hr/>
	24,994	29,953

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 reviews the results of the Group as a whole to make decisions. Accordingly, other than entity wide information, no analysis of this single operating segment is presented.

3. (LOSS) PROFIT BEFORE TAX

Six months ended
30 September
2018 2017
HK\$'000 HK\$'000
(unaudited) (unaudited)

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

Allowance for inventories

21

8

Depreciation of:

- property, plant and equipment
- investment property

2,001

2,143

146

–

2,147

2,143

Gross rental income from investment property

(186)

–

Less: direct operating expenses incurred for investment
property that generated rental during the period

3

–

(183)

–

Interest income on bank deposits

(180)

(40)

Loss on write-off of property, plant and equipment

2

–

Minimum lease payments under operating leases

3,449

3,528

Net foreign exchange loss

632

5

Other rental income

(172)

(516)

Staff costs

Directors' emoluments

5,006

5,262

Other staff costs

– salaries, allowance and other benefits

7,328

9,115

– share-based payments (*note 11*)

40

419

– contributions to retirement benefits schemes

240

253

12,614

15,049

4. INCOME TAX EXPENSE

Six months ended	
30 September	
2018	2017
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Income tax expense comprises:

Hong Kong Profits Tax		
Current year	110	650
Underprovision in prior year	–	16
Deferred tax charge	–	60
	<hr/>	
	110	726
	<hr/>	

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

Under the two tiered profits tax rates regime, the first HK\$2.0 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2.0 million will be taxed at 16.5%. For the period ended 30 September 2018, Hong Kong Profits Tax of the qualified entity is calculated in accordance with the two-tiered profits tax rates regime. For the period ended 30 September 2017, Hong Kong Profits Tax was calculated at the flat rate of 16.5%.

5. DIVIDENDS

A final dividend in respect of the year ended 31 March 2017 of HK0.2 cent per share, amounting to approximately HK\$961,000, was approved by the shareholders in the annual general meeting of the Company held on 26 July 2017 and distributed by the Company to the shareholders during the six months ended 30 September 2017.

A final dividend in respect of the year ended 31 March 2018 of HK0.15 cent per share, amounting to approximately HK\$721,000, was approved by the shareholders in the annual general meeting of the Company held on 27 July 2018 and distributed by the Company to the shareholders during the six months ended 30 September 2018.

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (2017: nil).

6. (LOSS) EARNINGS PER SHARE

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

	Three months ended 30 September		Six months ended 30 September	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
(Loss) earnings:				
(Loss) earnings for the purpose of calculating basic and diluted (loss) earnings per share ((loss) profit for the period attributable to owners of the Company)	(1,910)	255	(3,012)	964
	<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 loss/earnings per share	481,212	480,400	480,808	480,400
Effect of diluting potential ordinary shares:				
Share options issued by the Company	-	-	-	-
Weighted average number of ordinary shares for the purpose of calculating diluted loss/earnings per share	481,212	480,400	480,808	480,400

For the three and six months 30 September 2018, the computation of diluted loss per share does not assume the exercise of the Company's share options since their assumed exercise would result in a decrease in loss per share.

For the three and six months ended 30 September 2017, the computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of shares.

7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired property, plant and equipment of approximately HK\$2,668,000 (six months ended 30 September 2017: HK\$554,000).

During the six months ended 30 September 2018, property, plant and equipment of approximately HK\$621,000 were acquired through an acquisition of subsidiary.

During the six months ended 30 September 2018, leasehold land and building with a carrying amount of approximately HK\$23,364,000 was transferred from property, plant and equipment to investment property due to change in use of the property to earn rentals, which was evidenced by the commencement of an operating lease to another party.

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 settling 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 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
0-30 days	424	259
31-60 days	243	20
61-90 days	15	–
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Total	682	279

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 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
0-30 days	400	382
31-60 days	–	41
	400	423

10. SHARE CAPITAL

The share capital as at 31 March 2018 and 30 September 2018 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 2017, 31 March 2018 and 30 September 2018	1,000,000,000	10,000
Issued:		
As at 1 April 2017 and 31 March 2018	480,400,000	4,804
Issue of shares (<i>note</i>)	5,336,000	53
At 30 September 2018	485,736,000	4,857

Note: On 17 September 2018, the Company issued 5,336,000 shares at HK\$0.53 per share for a total gross proceeds of approximately HK\$2,828,000.

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	Number of share options Granted		
					As at 1.4.2018	As at 30.9.2018	
Directors	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	–	1,000,000	1,000,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	–	1,400,000	1,400,000
	15.08.2018	0.433	15.08.2018 – 14.08.2020	15.08.2020 – 14.08.2022	–	400,000	400,000
Others	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2018	–	300,000	300,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	–	600,000	600,000
	15.08.2018	0.433	15.08.2018 – 14.08.2020	15.08.2020 – 14.08.2022	–	300,000	300,000
					–	4,000,000	4,000,000

On 15 August 2018, an aggregate of 4,000,000 share options were granted to certain Directors and certain employees of the Group. The closing price of the shares as stated in the Stock Exchange’s daily quotations sheet immediately before the date on which the options are granted (i.e. 14 August 2018) was HK\$0.365. The granted share options are vested over the relevant vesting periods commencing from 15 August 2018 to 14 August 2020.

The estimated fair value of the share options granted on 15 August 2018 was approximately HK\$415,000. The 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\$0.360
Exercise price	HK\$0.433
Option life	4 years
Expected volatility	43.68%
Dividend yield	0.417%
Risk free interest rate	1.962%

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 2018, the Group recognised approximately HK\$165,000 as an expense in the condensed consolidated statement of profit or loss and other comprehensive income in relation to share options granted by the Company.

No share options were exercised, cancelled or lapsed during the six months ended 30 September 2018. As at the date of this report, there were 4,000,000 outstanding share options in aggregate, of which 1,300,000 share options have vested and are issuable for 1,300,000 ordinary shares of the Company under the Share Option Scheme.

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 2018 ("**Share Reward**"), held by Dr. Lam during the six months ended 30 September 2017.

	Outstanding at 1 April 2017	Vested during the year	Outstanding at 31 March 2018
Share Reward	0.42%	0.42%	–

Fair value of the Share Reward granted was 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 approximately HK\$419,000 was recognised with a corresponding credit recognised in the Group's capital reserve.

No share-based payment expenses in relation to Share Reward was recognised in the condensed consolidated statement of profit or loss for the six months ended 30 September 2018.

12. RELATED PARTY TRANSACTIONS

(a) Transactions

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

Name of related parties	Nature of transactions	Six months ended 30 September	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Non-controlling interests of a subsidiary	Endorsement expenses	2,439	-
Non-controlling interests of a subsidiary	Consultancy fee expenses	16	-
Non-controlling interests of a subsidiary	Rental income	158	-
Non-controlling interests of a subsidiary	Purchases of goods	90	-

(b) Outstanding balances

As at 31 March 2018, prepayments for endorsement expenses and consultancy fee expenses of approximately HK\$915,000 and HK\$44,000 were paid to non-controlling interests of a subsidiary.

Amount due from non-controlling interests of a subsidiary is set out in the condensed consolidated statement of financial position on page 2.

Saved as disclosed above, as at 30 September 2018 and 31 March 2018, the Group had no outstanding balance with related parties.

(c) Compensation of key management personnel

	Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Short-term benefits	5,198	5,497
Post-employment benefits	45	45
	5,243	5,542

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

13. EVENTS AFTER THE REPORTING PERIOD

There was no significant event occurred after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a medical skin care service provider in Hong Kong. Currently, the Group operates two “Medicskin” branded medical skin care centres, one anti-aging centre and one beauty spa, at prime locations in Hong Kong that primarily focus on the treatment of skin diseases and problems and/or the improvement of appearance of clients. The Group provides wide range of 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.

For the six months ended 30 September 2018, the revenue of the Group decreased by approximately HK\$5.0 million, or 16.7%, to approximately HK\$25.0 million, when compared to the six months ended 30 September 2017. The revenue of Consultation Service, Prescription and Dispensing Service and Treatment Service amounted to approximately HK\$0.9 million, HK\$8.6 million and HK\$15.5 million which accounted for approximately 3.7%, 34.3%, and 62.0% of the total revenue of the Group 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 decrease in revenue was primarily attributable to the decrease in the number of clients served by the Group and the number of visits by our clients due to increasing intensified competition in the industry. Approximately 82.6% of our clients were aged between 26 to 55, while approximately 91.2% of our clients were female. Most of the Treatment Service was performed by our doctors, with approximately 87.2% of the revenue from Treatment Service generated from treatments performed by our doctors.

The Group recorded a loss attributable to owners of the Company of approximately HK\$3.0 million for the six months ended 30 September 2018, as compared to a profit attributable to owners of the Company of approximately HK\$1.0 million for the corresponding period of last year. The turn from profit position to loss was mainly attributable to the combined effect of the additional costs and initial start-up expenses (including endorsement expenses) of approximately HK\$4.2 million incurred by the Group during the current reporting period on the development of its new anti-aging centre located in Tsim Sha Tsui which only commenced formal operation in June 2018; and a decline of approximately HK\$5.0 million of the revenue of the Group for the six months ended 30 September 2018 as compared to same period last year due to ongoing keen competition in the market. Basic loss per share for the period was HK0.63 cent as compared to basic earnings per share of HK0.20 cent for the corresponding period of last year.

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

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

OUTLOOK

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.

It is expected that the Group will continue to face very high operating costs base from rental expenses and staff costs as well as intense competition in the industry. Leveraging the support of the capital market, our own strengths, and consumer's pursuance of physical appearance, the Group is cautiously confident about its development in the future. We will continue using our best endeavors to provide the highest quality 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 decreased by approximately HK\$5.0 million, or 16.7%, from approximately HK\$30.0 million for the six months ended 30 September 2017 to approximately HK\$25.0 million for the six months ended 30 September 2018. The decrease was primarily attributable to the decrease in the number of clients served by the Group and the decrease in the number of visits by our clients due to increasing intensified competition in the industry.

Inventories used

The Group's cost of inventories was approximately HK\$3.7 million and HK\$3.9 million for the six months ended 30 September 2018 and 2017 respectively, representing 15.0% and 13.0% of the Group's revenue for the respective periods.

Staff costs

Staff costs decreased by approximately HK\$2.4 million, or 16.0%, from approximately HK\$15.0 million for the six months ended 30 September 2017 to approximately HK\$12.6 million for the six months ended 30 September 2018. The decrease was primarily attributable to the (i) decrease in share-based payments; and (ii) decrease in salaries and performance related incentive payments paid to our doctors due to decline in revenue of the Group during the period.

Depreciation

Depreciation expenses remained stable at approximately HK\$2.1 million for the six months ended 30 September 2018 and 2017, respectively.

Other expenses

Other expenses increased by approximately HK\$3.8 million, or 49.4%, from approximately HK\$7.7 million for the six months ended 30 September 2017 to approximately HK\$11.5 million for the six months ended 30 September 2018. The increase was primarily attributable to the additional costs and initial start-up expenses (including endorsement expenses) of approximately HK\$4.2 million incurred during the current period on the development of the Group's new anti-aging centre located in Tsim Sha Tsui.

Income tax expense

Income tax expense decreased by approximately HK\$0.6 million, or 85.7%, from approximately HK\$0.7 million for the six months ended 30 September 2017 to approximately HK\$0.1 million for the six months ended 30 September 2018. The decrease was primarily attributable to the decrease in assessable profit of a major operating subsidiary of the Company.

Profit for the period

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company for the six months ended 30 September 2018 of approximately HK\$3.0 million, as compared to a profit attributable to owners of the Company of approximately HK\$1.0 million for 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 2018.

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 2018 was approximately HK\$58.1 million (31 March 2018: HK\$61.0 million). The Group generally finances its operation with internally generated cash flows. The Group had bank balances and cash of approximately HK\$19.5 million as at 30 September 2018 (31 March 2018: HK\$18.7 million), with no external borrowing (31 March 2018: nil). As at 30 September 2018, the Group had net current assets of approximately HK\$3.1 million (31 March 2018: HK\$6.9 million).

Cash generated from operations for the six months ended 30 September 2018 was approximately HK\$1.1 million (six months ended 30 September 2017: HK\$5.9 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 2018, the Group had unused banking facilities of HK\$10.0 million (31 March 2018: HK\$10.0 million).

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the six months ended 30 September 2018, there was no significant investment held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 September 2018, the Group did not have any 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 2018.

COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of its office premises and skin care centres. As at 30 September 2018, the Group's operating lease commitments amounted to approximately HK\$9.1 million (31 March 2018: HK\$5.3 million).

As at 30 September 2018, the Group had contracted with a tenant for future minimum lease payments of approximately HK\$0.9 million (31 March 2018: nil).

As at 30 September 2018, the Group did not have any significant capital commitments (31 March 2018: approximately HK\$175,000 in respect of acquisition of property, plant and equipment).

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2018, the Group pledged its leasehold land and building and investment property with carrying amount of approximately HK\$47.1 million in aggregate (31 March 2018: HK\$47.6 million) to a bank to secure general banking facilities granted and credit card settlement services provided to the Group.

CONTINGENT LIABILITIES

As at 30 September 2018, the Group did not have material contingent liabilities (31 March 2018: 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 2018, the Group employed a total of 43 full-time and 12 part-time employees (31 March 2018: 37 full-time and 6 part-time employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$12.6 million for the six months ended 30 September 2018 (six months ended 30 September 2017: HK\$15.0 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 issued by the Company dated 12 December 2014 (the “**Prospectus**”) with the Group’s actual business progress for the period from the date of the listing of the shares on GEM of the Stock Exchange (the “**Listing**”) to 30 September 2018 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 used approximately HK\$5.4 million for the opening of MS Medicspa in the self-owned property in Causeway Bay and Ray Lui Centre in Tsim Sha Tsui during the six months ended 30 September 2018. |
| (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 used for the purposes in accordance with the future plans as set out in the Prospectus. As at 30 September 2018, the net proceeds from the Placing had been fully utilised.

The net proceeds from the Placing from the date of the Listing to 30 September 2018 were used as follows:

	Planned use of proceeds as shown in the Prospectus (adjusted on a pro rata basis based on the actual net proceeds) <i>HK\$'000</i>	Actual use of proceeds from the date of the Listing to 30 September 2018 <i>HK\$'000</i>	Unutilised amount as at 30 September 2018 <i>HK\$'000</i>
Expand and strengthen our presence in Hong Kong	11,804	(11,804)	–
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	(22,946)	–

DISCLOSURE OF INTERESTS

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

As at 30 September 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in 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	274,865,400	56.59%

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

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

Particulars of the Directors' interests in Share Option Scheme were as follows:

Name of Director	Grant date	Exercise price per share	Vesting period	Exercise period	Number of share options		
					As at 1.4.2018	Granted during the period As at 30.9.2018	
Kong Chung Wai	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	–	200,000	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	–	400,000	400,000
	15.08.2018	0.433	15.08.2018 – 14.08.2020	15.08.2020 – 14.08.2022	–	200,000	200,000
Sin Chui Pik Christine	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	–	200,000	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	–	400,000	400,000
	15.08.2018	0.433	15.08.2018 – 14.08.2020	15.08.2020 – 14.08.2022	–	200,000	200,000
Chan Cheong Tat	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	–	200,000	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	–	200,000	200,000
Lee Ka Lun	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	–	200,000	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	–	200,000	200,000
Leung Siu Cheung	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	–	200,000	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	–	200,000	200,000
					–	2,800,000	2,800,000

Save as disclosed above, as at 30 September 2018, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 September 2018, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long position in the ordinary shares of the Company

Name	Capacity/ Nature of interest	Number of shares	Percentage of issued share capital
Topline <i>(note a)</i>	Beneficial owner	274,865,400	56.59%
Rich Unicorn <i>(note b)</i>	Beneficial owner	80,000,000	16.47%
Fullshare <i>(note b)</i>	Interest in a controlled corporation	80,000,000	16.47%
Magnolia Wealth <i>(note b)</i>	Interest in a controlled corporation	80,000,000	16.47%
Mr. Ji <i>(note b)</i>	Interest in a controlled corporation	80,000,000	16.47%

Note:

- (a) The entire issued share capital of Topline is beneficially owned by Dr. Kong. Therefore Dr. Kong is deemed to be interested in all the shares of the Company held by Topline.
- (b) Rich Unicorn Holdings Limited ("**Rich Unicorn**"), a company incorporated in the British Virgin Islands with limited liability, 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 4.77% 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 2018, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined under the GEM Listing Rules) that competes or may compete, either directly or indirectly, with the business of the Group, or of any other conflicts of interest which any such person has or may have with the Group during the six months ended 30 September 2018.

CORPORATE GOVERNANCE CODE

The Company adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. Except the deviation stipulated below, the Board is satisfied that the Company had complied with the CG Code during the six months ended 30 September 2018.

In accordance with provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual and their respective responsibilities should be clearly defined in writing. Dr. Kong is the chairman of the Board and the chief executive officer of the Company who is primarily responsible for providing leadership to the Board, overseeing the overall operation of the Group and leading and directing the Group’s overall business and development strategies. Being aware of the said deviation from code provision A.2.1, the Board believes that with the support of the management, vesting the roles of both chairman of the Board and the chief executive officer of the Company in Dr. Kong, the founder of the Group, can facilitate the execution of the Group’s business strategies and boost effectiveness of its operation. In addition, the Board is also supervised by three independent non-executive Directors. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group as the Board assumes collective responsibility on the decision-making process of the Company’s business strategies and operation. The Directors will meet regularly to consider major matters affecting the operations of the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry 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 2018.

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

During the six months ended 30 September 2018, 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 2018 and this report and is of the view that such results complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure had been made.

By order of the Board
Medicskin Holdings Limited
Dr. Kong Kwok Leung
Chairman and Executive Director

Hong Kong, 12 November 2018

As at the date of this report, the executive Directors are Dr. Kong Kwok Leung, Ms. Tsui Kan, Ms. Kong Chung Wai and Ms. Sin Chui Pik Christine, and the independent non-executive Directors are Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung.