

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

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

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*This report, for which the directors (the “**Directors**”) of Medicskin Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, 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 2019 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 2019

	Notes	Three months ended 30 September		Six months ended 30 September	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	3	12,760	12,863	25,858	24,994
Other income, gains and losses		148	(45)	62	(94)
Inventories used		(1,956)	(1,948)	(3,877)	(3,743)
Staff costs		(6,193)	(6,701)	(12,533)	(12,614)
Depreciation		(2,617)	(1,130)	(5,198)	(2,147)
Other expenses		(2,592)	(6,232)	(5,184)	(11,545)
Interest expenses on lease liabilities		(222)	–	(465)	–
Loss before tax	4	(672)	(3,193)	(1,337)	(5,149)
Income tax expense	5	–	–	(89)	(110)
Loss for the period		(672)	(3,193)	(1,426)	(5,259)
Other comprehensive loss for the period					
<i>Item that may be classified subsequently to profit or loss:</i>					
Exchange differences arising from translation of foreign operations		(36)	–	(64)	–
		(708)	(3,193)	(1,490)	(5,259)

	Notes	Three months ended 30 September		Six months ended 30 September	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Loss for the period attributable to:					
Owners of the Company		(264)	(1,910)	(651)	(3,012)
Non-controlling interests		(408)	(1,283)	(775)	(2,247)
		(672)	(3,193)	(1,426)	(5,259)
Total comprehensive loss attributable to:					
Owners of the Company		(283)	(1,910)	(683)	(3,012)
Non-controlling interests		(425)	(1,283)	(807)	(2,247)
		(708)	(3,193)	(1,490)	(5,259)
Loss per share, basic (HK cent)	7	(0.05)	(0.40)	(0.13)	(0.63)
Loss per share, diluted (HK cent)	7	(0.05)	(0.40)	(0.13)	(0.63)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Non-current assets			
Right-of-use assets	8	16,574	–
Property, plant and equipment	9	6,484	6,248
Rental deposits		2,701	3,003
		25,759	9,251
Current assets			
Inventories		4,444	4,122
Trade receivables	10	677	699
Other receivable, deposits and prepayments		1,625	1,947
Tax recoverable		881	951
Pledged bank deposits		9,510	9,837
Bank balances and cash		40,257	15,920
		57,394	33,476
Assets classified as held for sale		–	45,586
		57,394	79,062
Current liabilities			
Trade payables	11	445	499
Other payable and accrued liabilities		2,308	2,524
Amount due to a non-controlling shareholder of a subsidiary		539	539
Deposit received		–	4,600
Contract liabilities		28,629	24,344
Lease liabilities	8	7,332	–
		39,253	32,506
Liabilities associated with assets classified as held for sale		–	318
		39,253	32,824
Net current assets		18,141	46,238
Total assets less current liabilities		43,900	55,489
Non-current liability			
Provision for reinstatement costs		400	400
Lease liabilities	8	9,159	–
		9,559	400
Net assets		34,341	55,089
Capital and reserves			
Share capital	12	4,857	4,857
Reserves		33,184	53,125
Equity attributable to owners of the Company		38,041	57,982
Non-controlling interests		(3,700)	(2,893)
Total equity		34,341	55,089

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Share options reserve	Exchange reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2019 (audited)	4,857	51,210	502	14	1,399	57,982	(2,893)	55,089
Loss for the period	-	-	-	-	(651)	(651)	(775)	(1,426)
Other comprehensive loss for the period	-	-	-	(32)	-	(32)	(32)	(64)
Total comprehensive loss for the period	-	-	-	(32)	(651)	(683)	(807)	(1,490)
Recognition of equity-settled share-based payments (note 13)	-	-	171	-	-	171	-	171
Dividend recognised as distribution (note 6)	-	(19,429)	-	-	-	(19,429)	-	(19,429)
At 30 September 2019 (unaudited)	4,857	31,781	673	(18)	748	38,041	(3,700)	34,341
At 31 March 2018 (audited)	4,804	48,443	-	-	7,322	60,569	519	61,088
Effect arising from initial application of HKFRS 18	-	-	-	-	278	278	-	278
At 1 April 2018 (restated)	4,804	48,443	-	-	7,600	60,847	519	61,366
Loss and total comprehensive loss for the period	-	-	-	-	(3,012)	(3,012)	(2,247)	(5,259)
Recognition of equity-settled share-based payments (note 13)	-	-	165	-	-	165	-	165
Issue of shares (note 12)	53	2,775	-	-	-	2,828	-	2,828
Transaction costs attributable to issue of shares	-	(3)	-	-	-	(3)	-	(3)
Dividend recognised as distribution (note 6)	-	-	-	-	(721)	(721)	-	(721)
At 30 September 2018 (unaudited)	4,857	51,215	165	-	3,867	60,104	(1,728)	58,376

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Notes	Six months ended 30 September 2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
OPERATING ACTIVITIES			
Cash generated from operations		8,447	1,081
NET CASH FROM OPERATING ACTIVITIES		8,447	1,081
INVESTING ACTIVITIES			
Interest received		333	180
Withdrawal of pledged bank deposits		(79)	–
Proceeds from disposal of a subsidiary	14	40,154	–
Purchase of property, plant and equipment		(1,618)	(2,593)
Acquisition of a subsidiary		–	(26)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		38,790	(2,439)
FINANCIAL ACTIVITIES			
Interest paid		(222)	–
Dividend paid	6	(19,429)	(721)
Repayment of lease liabilities		(3,531)	–
Proceeds from issue of shares	12	–	2,828
Transaction costs attributable to issue of shares		–	(3)
CASH (USED IN) FROM FINANCING ACTIVITIES		(23,182)	2,104
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Effect of foreign exchange rate changes, net		(64)	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		15,920	18,746
Bank balances and cash transferred from assets classified as held for sale		346	–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY		40,257	19,492
Bank balances and cash		40,257	19,492

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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. Other than changes in accounting policies resulting from the application of new Hong Kong Financial Reporting Standards ("HKFRSs"), 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 2019. 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 amendments to HKFRSs. For those which are effective for accounting period beginning on 1 April 2019, except for those as described below, the application of which 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, the Directors anticipate that the application of such other new and revised HKFRSs will have no material impact on the Group's financial statements.

2. IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES ("HKFRS 16")

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

2.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises and medical equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straightline basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased asset at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases by applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ending within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis; and
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised right-of-use assets of HK\$20,390,000 and lease liabilities of HK\$20,022,000 at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application.

3. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents revenue arising from the provision of consultation services ("Consultation Service"), prescription and dispensing of medication and/or skincare products including sale of skincare products ("Prescription and Dispensing Service") and the provision of skincare treatments ("Treatment Service") during the period.

Disaggregation of revenue from contracts with customers:

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Consultation Service	873	939
Prescription and Dispensing Service	7,753	8,565
Treatment Service	17,232	15,490
	25,858	24,994

The Group's operating activities are attributable to a single operating segment focusing on Consultation Service, Prescription and Dispensing Service and 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.

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.

4. LOSS BEFORE TAX

Six months ended
30 September
2019 2018
HK\$'000 *HK\$'000*
(unaudited) (unaudited)

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

Cost of inventories recognised as an expense **3,877** 3,743
Allowance for inventories **2** 21

Depreciation of:

– property, plant and equipment	1,382	2,001
– investment property	–	146
– right-of-use assets	3,816	–

5,198	2,147
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Expenses related to short-term leases/low-value assets	207	–
Interest income on bank deposits	(333)	(180)
Loss on disposal of a group classified as held for sale (<i>note 14</i>)	17	–
Loss on write-off of property, plant and equipment	–	2
Operating lease charge: minimum lease payments	–	3,449
Net foreign exchange loss	393	632
Rental income	(172)	(183)

Staff costs

Directors' emoluments	4,838	5,006
Other staff costs		
– salaries, allowance and other benefits	7,435	7,328
– share-based payments (<i>note 13</i>)	53	40
– contributions to retirement benefits schemes	207	240

12,533	12,614
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5. INCOME TAX EXPENSE

Six months ended	
30 September	
2019	2018
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Income tax expense comprises of:

Hong Kong Profits Tax

Current year	89	110
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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 and 2019, Hong Kong Profits Tax of the qualified entity is calculated in accordance with the two-tiered profits tax rates regime. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

6. DIVIDENDS

A final dividend in respect of the year ended 31 March 2018 of HK0.15 cent per share, amounting to HK\$721,000, was approved by the shareholders of the Company (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.

On 21 June 2019, the Board resolved to declare the payment of a special dividend of HK4 cents per share of the Company, amounting to HK\$19,429,000, which was distributed by the Company to the Shareholders on 26 July 2019.

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (2018: nil).

7. LOSS PER SHARE

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

	Three months ended 30 September		Six months ended 30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss:				
Loss for the purpose of calculating basic and diluted loss per share (loss for the period attributable to owners of the Company)	(264)	(1,910)	(651)	(3,012)
	<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 per share	485,736	481,212	485,736	480,808
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 per share	485,736	481,212	485,736	480,808

For the three and six months ended 30 September 2018 and 2019, 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.

8. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

The Group entered into lease agreements for its office premises and service centres of which the lease terms range from two to three years. The Group is required to make fixed monthly payments. Upon transition to HKFRS 16, at 1 April 2019, the Group recognised right-of-use assets and lease liabilities of HK\$20,390,000 and HK\$20,022,000, respectively.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired property, plant and equipment of HK\$1,618,000 (six months ended 30 September 2018: HK\$2,668,000).

10. TRADE RECEIVABLES

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

	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
0-30 days	544	590
31-60 days	121	94
61-90 days	12	15
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Total	677	699

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.

11. 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 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
0-30 days	445	499

12. SHARE CAPITAL

The share capital as at 31 March 2019 and 30 September 2019 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 2018, 31 March 2019 and 30 September 2019	1,000,000,000	10,000
Issued:		
As at 1 April 2018	480,400,000	4,804
Issue of shares	5,336,000	53
At 31 March 2019 and 30 September 2019	485,736,000	4,857

On 26 February 2018, the Company entered into the subscription agreement (the "**Subscription Agreement**") with an independent third party (the "**Subscriber**"), pursuant to which the Company has agreed to allot and issue and the Subscriber has agreed to subscribe for 5,336,000 ordinary shares at a subscription price of HK\$0.53 per share on the terms and subject to the conditions as set out in the Subscription Agreement. The transaction was completed on 17 September 2018. The total gross proceeds amounted to HK\$2,828,000. The details of the Subscription Agreement are set out in the Company's announcement dated 26 February 2018.

13. 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 1.4.2019	As at 30.9.2019	
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 – 14.08.2022	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\$0.360. 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 HK\$733,000. The fair value was calculated using the binomial option pricing model.

13. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share Option Scheme (Continued)

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	85.03%
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 2019, the Group recognised HK\$171,000 (2018: 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 2019 (2018: nil). As at the date of this report, there were 4,000,000 outstanding share options in aggregate, of which 3,300,000 share options have vested and are issuable for 3,300,000 ordinary shares of the Company under the Share Option Scheme.

14. DISPOSAL OF A GROUP CLASSIFIED AS HELD FOR SALE

On 29 January 2019, the Company entered into a provisional sale and purchase agreement (the “**Provisional Agreement**”) with an independent third party (the “**Purchaser**”), pursuant to which the Company has agreed to sell its 100% equity interest in Golden Dickson (HK) Limited (“**Golden Dickson**”) for a consideration of HK\$46,000,000. All the conditions precedent under the Provisional Agreement had been fulfilled and the transaction was completed on 31 May 2019. As at 31 March 2019, the assets and liabilities attributable to Golden Dickson were classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position. The rental income from Golden Dickson is included in the Group’s other income (see note 4).

The major classes of assets and liabilities of Golden Dickson classified as held for sale being disposed of as at the date of disposal on 31 May 2019 were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	22,595
Investment property	22,595
Deposits and prepayments	51
<hr/>	
Total assets classified as held for sale disposal of	45,241
<hr/>	
Other payable and accrued liabilities	285
Tax payable	185
<hr/>	
Total liabilities classified as held for sale disposal of	470
<hr/>	
Net assets classified as held for sale disposal of	44,771
<hr/>	
Consideration received	45,581
Net assets classified as held for sale disposal of	(44,771)
Disposal-related costs	(827)
<hr/>	
Loss on disposal	(17)
<hr/>	
Net cash inflow arising on disposal:	
Cash consideration	45,581
Deposit received	(4,600)
Disposal-related costs	(827)
<hr/>	
	40,154
<hr/>	

15. RELATED PARTY TRANSACTIONS

(a) Transactions

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

	Rental income		Purchase of goods		Endorsement expenses		Consultancy fee expenses	
	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-controlling shareholders of subsidiaries	172	158	162	90	323	2,439	16	16

(b) Outstanding balances

As at 30 September 2019, prepayments for endorsement expenses and consultancy fee expenses of HK\$269,000 (31 March 2019: HK\$562,000) and HK\$13,000 (31 March 2019: HK\$29,000), respectively, 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 3.

As at 31 March 2019, other receivable of HK\$54,000 was due from a non-controlling shareholder of a subsidiary. The amount was unsecured, interest-free and repayable on demand.

As at 30 September 2019, other payable of HK\$20,000 was due to a non-controlling shareholder of a subsidiary. The amount was unsecured, interest-free and repayable on demand.

Saved as disclosed above, as at 30 September 2019 and 31 March 2019, the Group had no outstanding balance with related parties.

15. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Short-term benefits	5,044	5,198
Post-employment benefits	36	45
	<hr/>	<hr/>
	5,080	5,243
	<hr/>	<hr/>

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

16. 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 (“**Medicskin Centres**”), one anti-aging centre and one beauty spa, at the prime locations in Hong Kong. Medicskin Centres primarily focus on the treatment of skin diseases and problems and/or the improvement of appearance of clients. The Group’s anti-aging centre, with the brand “Ray Lui’s Anti-aging & Health Management Centre” (“**Ray Lui Centre**”), located in Tsim Sha Tsui, provides quality and comprehensive medical aesthetic treatment that helps clients to stay healthy and young. The Group’s beauty spa with the brand “MS Medicspa”(“**MS Medicspa**”), located in Causeway Bay, offers extensive range of professional services from medical treatments to relaxing facial massages and body treatments in a luxurious and relaxing environment.

The Group provides wide range of services, namely Consultation Service, Prescription and Dispensing Service and Treatment Service 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 2019, the revenue of the Group increased by approximately HK\$0.9 million, or 3.6%, to approximately HK\$25.9 million, when compared to the six months ended 30 September 2018. The revenue of Consultation Service, Prescription and Dispensing Service and Treatment Service amounted to approximately HK\$0.9 million, HK\$7.8 million and HK\$17.2 million, which accounted for approximately 3.4%, 30.0%, and 66.6% 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 increase in revenue was primarily attributable to the inclusion of revenue from Ray Lui Centre and MS Medicspa which commenced operation/was acquired in June 2018. Approximately 78.3% of the Group's clients were aged between 26 to 55, while approximately 90.1% of its clients were female. Most of the Treatment Service was performed by doctors, with approximately 72.6% of the revenue from Treatment Service generated from treatments performed by doctors at the Group's centres.

The Group recorded a loss attributable to owners of the Company of approximately HK\$0.7 million for the six months ended 30 September 2019, representing a decrease of approximately 76.7% from that of approximately HK\$3.0 million for the six months ended 30 September 2018. The loss of the corresponding period of last year was mainly attributable to the effect of the initial start-up expenses and additional costs of approximately HK\$4.2 million incurred by the Group on the development of Ray Lui Centre which only commenced formal operation in June 2018. Basic loss per share for the period was HK0.13 cent, representing a decrease of approximately 79.4% from that of HK0.63 cent for the corresponding period of last year.

On 29 January 2019, the Company entered into the Provisional Agreement with the Purchaser, pursuant to which the Company had agreed to sell the entire issued share capital in Golden Dickson, a property holding company and a then wholly-owned subsidiary of the Company, which held a property located in Causeway Bay, and all such sum of money advanced by way of loan by the Company to Golden Dickson and due and owing by Golden Dickson to the Company, for a consideration of HK\$46.0 million (the "**Disposal**"). Details of the Disposal are set out in the announcements issued by the Company dated 29 January and 31 May 2019, the circular of the Company dated 18 April 2019 and the 2018/19 annual report of the Company dated 21 June 2019. All the conditions precedent under the Provisional Agreement had been fulfilled and the completion took place on 31 May 2019. Loss from disposal of a subsidiary of approximately HK\$17,000 was recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2019.

OUTLOOK

The Group will continue to keep abreast of the latest industry knowledge in order to offer the most suitable and updated services to clients. The Group continuously performs market research on the development of, and evaluates the effects of the latest products, skills and treatment devices and technologies. The Directors 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.

In view of the current economic downward pressure brought by the US-China Trade War, weakening of the Chinese yuan and the recent political instability in Hong Kong, the outlook of Hong Kong's economy, especially the retail sales sector, is not optimistic. The Group will therefore remain cautious on its business strategy. To cope with the challenges ahead, the Group will continue to concentrate on exploring and launching new types of services and products, growing the presence of its existing business and identifying new business opportunities, in order to deliver value to both clients and the Shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$0.9 million, or 3.6%, from approximately HK\$25.0 million for the six months ended 30 September 2018 to approximately HK\$25.9 million for the six months ended 30 September 2019. The increase was primarily attributable to the inclusion of revenue from Ray Lui Centre and MS Medicspa which commenced operation/was acquired in June 2018.

Inventories used

The Group's cost of inventories remained stable at relatively approximately HK\$3.7 million and HK\$3.9 million for the six months ended 30 September 2018 and 2019 respectively, representing 14.8% and 15.1% of the Group's revenue for the respective periods.

Staff costs

Staff costs remained stable at approximately HK\$12.6 million and HK\$12.5 million for the six months ended 30 September 2018 and 2019, respectively.

Depreciation

Depreciation expenses increased by approximately HK\$3.1 million or 147.6%, from approximately HK\$2.1 million for the six months ended 30 September 2018 to approximately HK\$5.2 million for the six months ended 30 September 2019. The increase was primarily attributable to the inclusion of depreciation of right-of-use assets amounting to approximately HK\$3.8 million following the adoption of HKFRS 16, which came into effect on 1 April 2019. Correspondingly, there was a similar decrease in rental expenses under other expenses.

Other expenses

Other expenses decreased by approximately HK\$6.3 million, or 54.8%, from approximately HK\$11.5 million for the six months ended 30 September 2018 to approximately HK\$5.2 million for the six months ended 30 September 2019. The decrease was primarily attributable to (i) the decrease in operating lease payments due to the adoption of HKFRS 16 of approximately HK\$4.0 million, and (ii) the decrease in endorsement and marketing expenses of approximately HK\$2.7 million of Ray Lui Centre which commenced operation in June 2018.

Income tax expense

Income tax expense remained stable at approximately HK\$0.1 million for the six months ended 30 September 2018 and 2019.

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 2019 of approximately HK\$0.7 million, representing a decrease of approximately 76.7% from that of approximately HK\$3.0 million for the six months ended 30 September 2018.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019.

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 2019 was approximately HK\$34.3 million (31 March 2019: HK\$55.1 million). The Group generally finances its operation with internally generated cash flows. The Group had bank balances and cash of approximately HK\$40.3 million as at 30 September 2019 (31 March 2019: HK\$15.9 million), with no external borrowing (31 March 2019: nil). As at 30 September 2019, the Group had net current assets of approximately HK\$18.1 million (31 March 2019: HK\$46.2 million).

Cash generated from operations for the six months ended 30 September 2019 was approximately HK\$8.4 million (six months ended 30 September 2018: HK\$1.1 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 2019, there was no significant investment held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 September 2019, the Group did not have any plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in note 14 to the interim financial statements of the Group, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 September 2019.

COMMITMENTS

As at 30 September 2019, the Group had capital commitments in respect of capital contribution to a subsidiary of approximately HK\$0.2 million (31 March 2019: HK\$0.2 million).

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2019, time deposits amounted to approximately HK\$9.5 million (31 March 2019: HK\$9.8 million) were pledged to a bank for card settlement services.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have material contingent liabilities (31 March 2019: nil).

FOREIGN EXCHANGE EXPOSURE

The Group carries out its business in Hong Kong and most of its transactions are denominated in Hong Kong dollars. 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 2019, the Group employed a total of 41 full-time and 10 part-time employees (31 March 2019: 43 full-time and 9 part-time employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$12.5 million for the six months ended 30 September 2019 (six months ended 30 September 2018: HK\$12.6 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 shares.

DISCLOSURE OF INTERESTS

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

As at 30 September 2019, 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 1.4.2019	Granted during the period As at 30.9.2019
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 2019, 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 2019, 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%

Notes:

- (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 38.65% by Magnolia Wealth International Limited ("**Magnolia Wealth**"), a company incorporated in the British Virgin Islands with limited liability, whose entire issued share capital is beneficially owned by Mr. Ji Changqun ("**Mr. Ji**"). In addition, Mr. Ji holds 4.61% of Fullshare directly as the beneficial owner. Therefore, Fullshare, Magnolia Wealth and Mr. Ji are deemed to be interested in all the shares held by Rich Unicorn.

Save as disclosed above, as at 30 September 2019, 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 2019.

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 2019.

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. Dr. Kong also chairs the Board and nomination committee (the "**Nomination Committee**") meetings and briefs the Board members and Nomination Committee members on the issues arising at the respective meetings to ensure that Directors receive adequate information in a timely manner which is accurate, clear, complete and reliable. He encourages all Directors to make full and active contribution to the Board's affairs and takes the lead to ensure that it acts in the Company's best interest. He aims to ensure constructive relations between executive and non-executive Directors. 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 2019.

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

During the six months ended 30 September 2019, 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 13 to the interim financial statements of the Group.

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 2019 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, 13 November 2019

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