



MEDICSKIN HOLDINGS LIMITED

密迪斯肌控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8307)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2016

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

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This announcement, 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 announcement is accurate and complete in all material respects and not misleading or deceptive; there are no other matters the omission of which would make any statement herein or this announcement misleading.

ANNUAL RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2016 together with the comparative audited figures for the corresponding period of last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Revenue	4	60,073	66,738
Other income, gains and losses		(566)	387
Inventories used		(7,697)	(8,478)
Staff costs		(32,727)	(31,100)
Depreciation of property, plant and equipment		(2,015)	(2,454)
Other expenses		(13,391)	(9,618)
Finance costs	5	–	(439)
Listing expenses		–	(9,152)
		<hr/>	<hr/>
Profit before tax	6	3,677	5,884
Income tax expense	7	(1,323)	(2,556)
		<hr/>	<hr/>
Profit and total comprehensive income for the year attributable to owners of the Company		<u>2,354</u>	<u>3,328</u>
		<hr/>	<hr/>
Earnings per share, basic (HK cent)	9	<u>0.59</u>	<u>0.94</u>
		<hr/>	<hr/>
Earnings per share, diluted (HK cent)	9	<u>0.59</u>	<u>N/A</u>
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	<i>Notes</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		5,488	4,094
Rental deposits		2,822	–
Deposits paid for purchase of property, plant and equipment		1,305	–
		<u>9,615</u>	<u>4,094</u>
Current assets			
Inventories		2,958	2,444
Trade receivables	<i>10</i>	311	313
Other receivable, deposits and prepayments		1,871	3,282
Tax recoverable		812	167
Pledged bank deposits		8,500	–
Bank balances and cash		30,032	48,023
		<u>44,484</u>	<u>54,229</u>
Current liabilities			
Trade payables	<i>11</i>	508	418
Accrued liabilities		2,021	3,200
Deferred revenue		7,675	7,395
Dividend payable	<i>8</i>	6,000	–
		<u>16,204</u>	<u>11,013</u>
Net current assets		<u>28,280</u>	43,216
Total assets less current liabilities		<u>37,895</u>	47,310
Non-current liability			
Deferred tax liability		<u>127</u>	127
		<u>127</u>	127
Net assets		<u>37,768</u>	<u>47,183</u>
Capital and reserves			
Share capital		4,000	4,000
Reserves		33,768	43,183
Equity attributable to owners of the Company		<u>37,768</u>	<u>47,183</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

1. GENERAL AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 20 June 2014. The shares of the Company have been listed on GEM of the Stock Exchange since 18 December 2014 (the “**Listing**”). The address of its registered office is P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. Its principal place of business is located at 21st Floor, New World Tower II, 16-18 Queen’s Road Central, Hong Kong.

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

The functional currency of the Company is Hong Kong dollars, which is the same as the presentation currency of the consolidated financial statements.

Pursuant to the reorganisation detailed in the prospectus of the Company dated 12 December 2014 (the “**Prospectus**”), the Company became the holding company of the companies now comprising the Group on 12 July 2014. Its immediate and ultimate holding company is Topline Worldwide Limited, a company incorporated in the British Virgin Islands. The ultimate controlling party is Dr. Kong Kwok Leung (“**Dr. Kong**”). The Company and its subsidiaries have been under the common control of Dr. Kong throughout the year ended 31 March 2015 or since their respective date of incorporation, where there is a shorter period.

The Group resulting from the reorganisation as described in the Prospectus (the “**Reorganisation**”) is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared on the basis as if the Company had always been the holding company of the Group. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 March 2015 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the year ended 31 March 2015, or since their respective dates of incorporation, where there is a shorter period.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle

The application of these new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ¹
Amendments to HKAS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ¹
Amendments to HKAS 1	Disclosure initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ¹
Amendments to HKAS 27	Equity method in separate financial statements ¹
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle ¹
HKFRS 9	Financial instruments ²
HKFRS 15	Revenue from contracts with customers ²
HKFRS 16	Leases ⁴

¹ Effective for annual periods beginning on or after 1 January 2016.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2019.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these financial statements. The Directors anticipate that the application of HKFRS 16 in the future will have a material impact on the Group's consolidated financial statements; however, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

The Directors anticipate that the application of other new or revised standards will have no material impact on the Group's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance ("CO").

The disclosure requirements set out in the GEM Listing Rules regarding annual accounts have been amended with reference to certain requirements of the new CO and to streamline with HKFRSs and have become effective for the financial year ended 31 March 2016. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 March 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 March 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or GEM Listing Rules but not under the new CO or amended GEM Listing Rules are not disclosed in these consolidated financial statements.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

4. REVENUE AND SEGMENT INFORMATION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received and receivable for goods sold and services provided in the normal course of business, net of discounts and refund. The Group's operating activities are attributable to a single operating segment focusing on provision of consultation services ("**Consultation Service**"), prescription and dispensing of medication and/or skincare products including sale of skincare products ("**Prescription and Dispensing Service**") and provision of medical skin care treatments ("**Treatment Service**"). This operating segment has been identified on the basis of internal management reports prepared in accordance with the Group's accounting policies. Dr. Kong and Mr. Lo Kwok Bun, two of the directors of the Company, have been identified as the chief operating decision makers ("**CODM**"). The CODM review the Group's revenue analysis by services and products in order to assess performance and allocation of resources.

Other than revenue analysis, no operating results or other discrete financial information is available for the assessment of performance and allocation of resources. The CODM review the results of the Group as a whole to make decisions. Accordingly, other than entity wide information, no analysis of this single operating segment is presented.

Revenue from major products and services

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Consultation Service	3,524	4,201
Prescription and Dispensing Service	26,895	30,736
Treatment Service	29,654	31,801
	<u>60,073</u>	<u>66,738</u>

5. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interests on:		
Borrowings wholly repayable within five years	–	430
Finance leases wholly repayable within five years	–	9
	<u>–</u>	<u>439</u>

6. PROFIT BEFORE TAX

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit before tax has been arrived at after charging:		
Auditor's remuneration	500	550
Allowance for inventories	83	208
Staff costs		
Directors' emoluments	3,003	1,679
Other staff costs		
– salaries, allowance and other benefits	27,967	27,766
– share-based payments	1,093	999
– contributions to retirement benefits schemes	664	656
	<u>32,727</u>	<u>31,100</u>
Depreciation of property, plant and equipment		
– owned assets	2,015	2,359
– leased assets	–	95
	<u>2,015</u>	<u>2,454</u>

7. INCOME TAX EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Income tax expense comprises:		
Hong Kong Profits Tax		
Current year	1,250	2,656
Underprovision in prior years	73	15
	<u>1,323</u>	<u>2,671</u>
Deferred tax credit	–	(115)
	<u>1,323</u>	<u>2,556</u>

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

8. DIVIDENDS

During the year ended 31 March 2015, a dividend of HK\$3,200,000 was distributed by Multiple Profit Enterprise Limited, a wholly owned subsidiary of the Company after the Reorganisation, to its then shareholders.

A final dividend in respect of the year ended 31 March 2015 of HK0.25 cent per share, amounting to HK\$1,000,000, was declared by the Board and distributed by the Company to the shareholders during the year ended 31 March 2016.

On 11 November 2015, a special dividend of HK1.5 cents per share, amounting to HK\$6,000,000, was declared by the Board. The dividend was distributed by the Company to the shareholders on 10 December 2015.

On 4 March 2016, a special dividend of HK1.5 cents per share, amounting to HK\$6,000,000, was declared by the Board. The Dividend was distributed by the Company to the shareholders on 7 April 2016.

Subsequent to the end of the reporting period, a final dividend of HK0.25 cent and a special dividend of HK2.25 cents per share in respect of the year ended 31 March 2016, amounting to HK\$1,000,000 and HK\$9,000,000 respectively, have been proposed by the Directors and are subject to approval by the shareholders in the forthcoming general meeting.

9. EARNINGS PER SHARE

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Earnings:		
Earnings for the purpose of calculating basic and diluted/basic earnings per share (profit for the year attributable to owners of the Company)	<u>2,354</u>	<u>3,328</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted/basic earnings per share	<u>400,000</u>	<u>352,510</u>

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

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

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

10. 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.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0–30 days	278	292
31–60 days	33	21
Total	311	313

The Group's trade receivables were not past due nor impaired at the end of the 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0–30 days	508	418

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a medical skin care group operating two medical skin care centres (“**Medicskin Centre(s)**”) in Hong Kong that primarily focus on the treatment of skin diseases and problems and/or the improvement of appearance of clients. The Group provides services to clients for the treatment of, inter alia, skin diseases and problems such as acne, pigmentation, rosacea, dermatitis, eczema and warts, as well as for the improvement of appearance through, inter alia, skin rejuvenation, facial sculpturing and body contouring treatments, treatments of acne scars and enlarged pores, removal of undesirable naevi, and hair removal.

During the year ended 31 March 2016, the revenue of the consultation service, prescription and dispensing service and treatment service accounted for approximately 5.9%, 44.8%, and 49.3% of the total revenue of the Group respectively. For the year ended 31 March 2016, the revenue of the Group decreased by approximately HK\$6.6 million, or 9.9%, to approximately HK\$60.1 million, when compared to the year ended 31 March 2015. The decrease in revenue was primarily attributable to the decrease in general consumer sentiment due to the slowdown of economic growth in Hong Kong, the People’s Republic of China (the “**PRC**”) and the global economy and the increasingly intensified competition in the industry.

During the year ended 31 March 2016, the Group used approximately HK\$2.6 million for purchase of medical equipment and introduced certain new treatment services. Among the new treatment services, we introduced (i) “enLIGHTen™” treatment device deploying dual wave length and dual pulse laser featuring picosecond technology, which is a safer and more effective way than traditional lasers to treat pigmented lesion by breaking down melanin, targeting benign pigmented lesion, and (ii) “Clear + Brilliant®” treatment device deploying fractional lasers with laser energy of various wave lengths, which can reduce pore size and enhance skin texture and can be coupled with other antioxidant cream to illuminate the skin targeting skin aging and pigmentary issues. We believe that the introduction of new medical devices 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.

Moreover, during the year ended 31 March 2016, the Group was in the process of relocating its Medicskin Centre in Central from Tak Shing House to New World Tower II, which occupies the whole 21st Floor of New World Tower II, with around 5,000 square feet in gross floor area. The new Central Medicskin Centre was opened in May 2016, with elegant décor which provides better facilities and a more comfortable environment to our clients, enhancing our clients’ experiences. We believe this in turn will enhance clients’ satisfaction and in long term bring additional revenue to the Group.

OUTLOOK

It is expected that since Hong Kong, the PRC and the global economies will continue to fluctuate in the year to come and there will be increasingly fierce competition in the medical skin care industry, the Group's business more or less will be affected. Nevertheless, with the higher growth rate of female population in Hong Kong, continuous aging trend in the population of Hong Kong and growing emphasis on a person's physical appearance in the society, medical skin care services are becoming more commonplace and it is expected that more people will seek skin care services for improvement of their appearance in pursuit of beauty and to improve their self-esteem, thereby supporting growth of the medical skin care industry in Hong Kong. Continuing technological innovation and improvement of treatment equipment by manufacturers also offer growth opportunities within the industry for all players.

The government of Hong Kong has been considering to tighten up the regulation of the beauty industry and is currently reviewing the existing legislation with a view to enacting laws or amending the existing legislation to distinguish between medical treatment and beauty treatment and to implement regulatory controls over certain cosmetic procedures in order to protect the interests and safety of the public. Such review or amendment of the existing legislation may introduce a change in compliance standards in connection with delivery of treatments, and ultimately bring higher level of confidence to customers, enhance the level of safety in the industry and increase the total spending in the market.

Online consumption is a trend in the digital era and influences the local retail market. Traditional retail businesses are losing market share as people all over the world increasingly purchase goods over the Internet. The Group will continue to explore and launch new skincare products to enhance the quality, effectiveness and variety of our products and explore different sales channel and platform for sale of its skin care products to enhance our competitiveness.

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

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK\$6.6 million, or 9.9%, from approximately HK\$66.7 million for the year ended 31 March 2015 to approximately HK\$60.1 million for the year ended 31 March 2016. The decrease was primarily attributable to the decrease in general consumer sentiment due to the slowdown of economic growth in Hong Kong, the PRC and the global economy and the increasingly intensified competition in the industry which in turn decreased the client flow as well as the frequency of client visits.

Inventories used

The Group's cost of inventories used was approximately HK\$7.7 million and approximately HK\$8.5 million for the years ended 31 March 2016 and 2015 respectively, representing 12.8% and 12.7% of the revenue for the respective years.

Staff costs

Staff costs increased by approximately HK\$1.6 million, or 5.1%, from approximately HK\$31.1 million for the year ended 31 March 2015 to approximately HK\$32.7 million for the year ended 31 March 2016. The increase was primarily attributable to the new hiring and the annual revision of remuneration to the staff and doctors during the year.

Depreciation of property, plant and equipment

Depreciation expenses decreased by approximately HK\$0.5 million or 20.0%, from approximately HK\$2.5 million for the year ended 31 March 2015 to approximately HK\$2.0 million for the year ended 31 March 2016. The decrease was primarily attributable to certain assets which became fully depreciated during the year.

Other expenses

Other expenses increased by approximately HK\$3.8 million, or 39.6%, from approximately HK\$9.6 million for the year ended 31 March 2015 to approximately HK\$13.4 million for the year ended 31 March 2016. The increase was primarily attributable to (i) the increase in recurring professional fees of approximately HK\$1.5 million since the Listing; (ii) increase in marketing expenses and operating costs by approximately HK\$1.4 million in relation to sale of skincare products; and (iii) increase in rental expenses, building management fee and air conditioning charges by approximately HK\$0.8 million.

Listing expenses

During the year ended 31 March 2016, no non-recurring listing fees was recognised as expenses in connection with the Listing (2015: approximately HK\$9.2 million).

Income tax expense

Income tax expense decreased by approximately HK\$0.3 million, or 11.5%, from approximately HK\$2.6 million for the year ended 31 March 2015 to approximately HK\$1.3 million for the year ended 31 March 2016. The decrease was primarily attributable to the decrease in profit before tax, excluding the effect of non-deductible expenses such as share-based payments and listing expenses.

Profit for the year

As a result of the foregoing, the profit for the year decreased by approximately HK\$0.9 million, or 27.3%, from approximately HK\$3.3 million for the year ended 31 March 2015 to approximately HK\$2.4 million for the year ended 31 March 2016.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

The total equity of the Group as at 31 March 2016 was approximately HK\$37.8 million (2015: approximately HK\$47.2 million). The Group generally finances its operation with internally generated cash flows. The Group had bank balances and cash of approximately HK\$30.0 million as at 31 March 2016 (2015: approximately HK\$48.0 million), with no external borrowing (2015: Nil). As at 31 March 2016, the Group had net current assets of approximately HK\$28.3 million (2015: approximately HK\$43.2 million).

Cash generated from operations for the year ended 31 March 2016 was approximately HK\$3.8 million (2015: approximately HK\$10.9 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 31 March 2016, the Group had unused banking facilities of HK\$4.0 million (2015: Nil).

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended 31 March 2016, there was no significant investment held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2016.

COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of its office premises and Medicskin Centres. As at 31 March 2016, the Group's operating lease commitments amounted to approximately HK\$18.7 million (2015: approximately HK\$3.4 million).

As at 31 March 2016, the Group had capital commitments in respect of acquisition of property, plant and equipment of approximately HK\$465,000 (2015: Nil).

CONTINGENT LIABILITIES

As at 31 March 2016, the Group did not have material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2016, the Group pledged its bank balances of approximately HK\$8.5 million (2015: Nil) as securities for credit card settlement services provided by a bank to the Group and will be released upon expiry of the relevant services.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2016, the Group employed a total of 49 full-time and 3 part-time employees (2015: 54 full-time and 4 part-time employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$32.7 million for the year ended 31 March 2016 (2015: approximately HK\$31.1 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.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 March 2016 (the “**AGM**”) will be held on Wednesday, 27 July 2016. A notice convening the AGM will be issued and sent to the shareholders of the Company (the “**Shareholders**”) in due course.

DIVIDENDS

Details of the dividends declared and distributed by the Company during the year ended 31 March 2016 are set out in note 8.

The Board recommends the payment of a final dividend of HK0.25 cent per ordinary share of the Company and a special dividend of HK2.25 cents per ordinary share of the Company for the year ended 31 March 2016 to the Shareholders whose names appear on the register of members of the Company on Thursday, 4 August 2016. Subject to the approval of the Shareholders at the AGM, the final dividend and special dividend will be posted on Friday, 19 August 2016 by ordinary mail to the Shareholders.

As far as the Company is aware, as at the date of this announcement, there was no arrangement under which any Shareholder has waived or agreed to waive any dividend proposed to be distributed for the year ended 31 March 2016.

Subject to the fulfilment of the conditions set out in the section headed “Conditions of the Declaration and Payment of special dividend out of the Share Premium Account” below, the special dividend will be paid out of the Share Premium Account pursuant to the articles of association of the Company (the “**Articles of Association**”).

CONDITIONS OF THE DECLARATION AND PAYMENT OF SPECIAL DIVIDEND OUT OF SHARE PREMIUM ACCOUNT

The declaration and payment of the special dividend out of the share premium account of the Company (the “**Share Premium Account**”) is conditional upon the satisfaction of the following conditions:

- (a) the passing of an ordinary resolution by the Shareholders at the AGM approving the declaration and payment of the special dividend out of the Share Premium Account pursuant to the Articles of Association; and
- (b) the Directors being satisfied that there are no reasonable grounds for believing that the Company is, immediately following the payment of the special dividend, unable to pay its liabilities as they fall due in the ordinary course of business.

The conditions set out above cannot be waived. If such conditions are not satisfied, the special dividend will not be paid.

REASONS FOR AND EFFECT OF THE PAYMENT OF SPECIAL DIVIDEND OUT OF SHARE PREMIUM ACCOUNT

To reward the Shareholders, the Board considers it appropriate to distribute the special dividend to repay the Shareholders' support.

The payment of the special dividend out of the Share Premium Account does not involve any reduction in the authorised or issued share capital of the Company nor does it involve any reduction in the nominal value of the Shares or result in any change in the trading arrangements in respect of the Shares.

After taking into consideration of the existing cash flow of the Group, the Board considers that the Company has sufficient cash flow to pay the special dividend. The payment of the special dividend out of the Share Premium Account will not have any material adverse effect on the financial position of the Group.

The Directors consider that the declaration and proposed payment of the special dividend out of the Share Premium Account is in the interests of the Company and the Shareholders as a whole.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 25 July 2016 to Wednesday, 27 July 2016, both dates inclusive, during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 22 July 2016.

For determining the entitlement to the proposed final dividend and special dividend, the register of members of the Company will be closed on Tuesday, 2 August 2016 to Thursday, 4 August 2016, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend and special dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at the above address for registration not later than 4:30 p.m. on Monday, 1 August 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a good corporate governance standard, with the chairman being primarily responsible for establishing relevant practices and procedures. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate its business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen accountability to the Shareholders and creditors. Therefore, the Board has reviewed and will continue to review and improve the Company's corporate governance practices from time to time.

The Company adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance and the Board is satisfied that the Company had complied with the CG Code during the year ended 31 March 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 March 2016.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**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.

As at 31 March 2016, there were an aggregate of 2,000,000 outstanding options to subscribe for 2,000,000 shares of the Company pursuant to the Share Option Scheme. Details of such outstanding options are the same as disclosed in the interim report of the Company dated 11 November 2015.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event occurred after the reporting period.

AUDIT COMMITTEE

The Company had established its audit committee (the “**Audit Committee**”) on 3 December 2014 with written terms of reference in compliance with the GEM Listing Rules. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and review the Company’s financial information.

The Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung. Mr. Chan Cheong Tat is the chairman of the Audit Committee.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2016 and this announcement and is of the view that such results and this announcement complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made. The Audit Committee has also reviewed the effectiveness of the internal control system of the Group.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2016 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF INFORMATION ON WEBSITES

This results announcement is available for viewing on the website of Stock Exchange at www.hkexnews.hk and on the website of the Company at www.medicskin.com. The annual report of the Company for year ended 31 March 2016 containing the information required by the GEM Listing Rules will be dispatched to the shareholders of the Company in due course.

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

Hong Kong, 17 June 2016

As at the date of this announcement, the executive Directors are Dr. Kong Kwok Leung, Mr. Lo Kwok Bun and Ms. Kong Chung Wai, and the independent non-executive Directors are Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM’s website at www.hkgem.com for at least 7 days from the day of its posting. This announcement will also be published on the Company’s website at www.medicskin.com.