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MEDICSKIN HOLDINGS LIMITED

密迪斯肌控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8307)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2016

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

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

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

*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 the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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.*

UNAUDITED THIRD QUARTERLY RESULTS

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2016

	<i>Notes</i>	Three months ended		Nine months ended	
		31 December		31 December	
		2016	2015	2016	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	2	16,761	15,897	45,546	46,063
Other income, gains and losses		11	(184)	63	(364)
Inventories used		(2,454)	(2,085)	(6,048)	(5,992)
Staff costs		(8,260)	(8,292)	(22,967)	(25,234)
Depreciation of property, plant and equipment		(829)	(500)	(2,201)	(1,777)
Other expenses		(3,733)	(3,698)	(11,464)	(10,018)
Profit before tax		1,496	1,138	2,929	2,678
Income tax expense	3	(617)	(598)	(1,100)	(1,073)
Profit and total comprehensive income for the period attributable to owners of the Company		<u>879</u>	<u>540</u>	<u>1,829</u>	<u>1,605</u>
Earnings per share, basic (HK cent)	5	<u>0.22</u>	<u>0.14</u>	<u>0.45</u>	<u>0.40</u>
Earnings per share, diluted (HK cent)	5	<u>0.22</u>	<u>0.14</u>	<u>0.45</u>	<u>0.40</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2016

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (note a)	Share options reserve HK\$'000	Retained profits HK\$'000	
At 1 April 2016 (audited)	4,000	31,670	182	228	1,688	37,768
Profit and total comprehensive income for the period	-	-	-	-	1,829	1,829
Recognition of equity-settled share-based payments	-	-	749	139	-	888
Exercise of share options	4	337	-	(73)	-	268
Issue of shares (note b)	800	51,040	-	-	-	51,840
Transaction costs attributable to issue of shares	-	(1,592)	-	-	-	(1,592)
Dividends recognised as distribution (note 4)	-	(9,000)	-	-	(1,000)	(10,000)
At 31 December 2016 (unaudited)	<u>4,804</u>	<u>72,455</u>	<u>931</u>	<u>294</u>	<u>2,517</u>	<u>81,001</u>
At 1 April 2015 (audited)	4,000	31,670	2,579	-	8,934	47,183
Profit and total comprehensive income for the period	-	-	-	-	1,605	1,605
Recognition of equity-settled share-based payments	-	-	753	137	-	890
Dividends recognised as distribution (note 4)	-	-	-	-	(7,000)	(7,000)
At 31 December 2015 (unaudited)	<u>4,000</u>	<u>31,670</u>	<u>3,332</u>	<u>137</u>	<u>3,539</u>	<u>42,678</u>

Notes:

- (a) Capital reserve represents deemed contribution from the controlling shareholder of the Company (i.e. Dr. Kong Kwok Leung (“**Dr. Kong**”)) arising from the share reward granted to a medical practitioner of the Group by Dr. Kong for the services rendered to the Group. The fair value of services received, which is determined by reference to the fair value of the share reward at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in capital reserve.
- (b) On 29 September 2016, a subscription agreement was entered into between the Company and Rich Unicorn Holdings Limited (“**Rich Unicorn**”), a company incorporated in the British Virgin Islands with limited liability, pursuant to which the Company has conditionally agreed to allot and issue, and Rich Unicorn has conditionally agreed to subscribe for, 80,000,000 subscription shares of the Company (the “**Subscription Shares**”) at the subscription price of HK\$0.648 per Subscription Share (the “**Subscription**”). Rich Unicorn is beneficially owned by Fullshare Holdings Limited (“**Fullshare**”), a company incorporated in the Cayman Islands with limited liability whose issued shares are listed on the Stock Exchange (stock code: 607). The completion of the Subscription took place on 25 October 2016. Details of the Subscription are set out in the announcements of the Company dated 29 September 2016 and 25 October 2016, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2016

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Group's consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. The principal accounting policies used in the consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2016, except for the accounting policy used for the first time in the current period as disclosed below. The consolidated financial statements are unaudited, but have been reviewed by the audit committee (the "Audit Committee") of the Company.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"). For those which are effective for accounting period beginning on 1 April 2016, the application has no material impact on the Group's financial performance and positions for the current and/or prior accounting periods. For those which are not yet effective, except for HKFRS 16 "Leases", the Directors anticipate that the application of other new and revised HKFRSs will have no material impact on the Group's financial statements.

2. REVENUE AND SEGMENT INFORMATION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received and receivable for goods sold and services provided in the normal course of business, net of discounts and refund. The Group's operating activities are attributable to a single operating segment focusing on the provision of consultation services ("Consultation Service"), prescription and dispensing of medication and/or skincare products including the sale of skincare products ("Prescription and Dispensing Service") and the 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, 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.

Revenue by services and products

	Three months ended		Nine months ended	
	31 December		31 December	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Consultation Service	856	890	2,939	2,623
Prescription and Dispensing Service	6,374	6,907	18,633	20,949
Treatment Service	9,531	8,100	23,974	22,491
	<u>16,761</u>	<u>15,897</u>	<u>45,546</u>	<u>46,063</u>

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

3. INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	31 December		31 December	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Income tax expense comprises:				
Current year Hong Kong Profits Tax	567	598	907	1,073
Deferred tax charge	50	–	193	–
	<u>617</u>	<u>598</u>	<u>1,100</u>	<u>1,073</u>

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

4. DIVIDENDS

On 11 November 2015, the Board resolved to declare the payment of a special dividend of HK1.5 cents per share of the Company (the “**Shares**”), amounting to HK\$6,000,000, for the six months ended 30 September 2015.

A final dividend in respect of the year ended 31 March 2015 of HK0.25 cent per Share, amounting to HK\$1,000,000, was declared and distributed by the Company to the shareholders of the Company (the “**Shareholders**”) during the nine months ended 31 December 2015.

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

The Board does not recommend the payment of an interim dividend for the nine month ended 31 December 2016 (2015: Nil).

5. EARNINGS PER SHARE

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

	Three months ended		Nine months ended	
	31 December		31 December	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings:				
Earnings for the purpose of calculating basic and diluted earnings per Share (profit for the period attributable to owners of the Company)	<u>879</u>	<u>540</u>	<u>1,829</u>	<u>1,605</u>
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Number of shares:				
Weighted average number of ordinary Shares for the purpose of calculating basic earnings per Share	406,261	400,000	402,095	400,000
Effect of diluting potential ordinary Shares:				
Share options issued by the Company	<u>451</u>	<u>N/A</u>	<u>239</u>	<u>N/A</u>
Weighted average number of ordinary Shares for the purpose of calculating diluted earnings per Share	<u>406,712</u>	<u>N/A</u>	<u>402,334</u>	<u>N/A</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a medical skin care group operating medical skin care centres (“**Medicskin Centres**”) in Hong Kong that primarily focus on the treatment of skin diseases and problems and/or the improvement of appearance of the clients. The Group provides services to its clients through 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 nine months ended 31 December 2016, the revenue derived from the Consultation Service, Prescription and Dispensing Service and Treatment Service accounted for approximately 6.5%, 40.9%, and 52.6% of the total revenue of the Group respectively. For the nine months ended 31 December 2016, the revenue of the Group decreased by approximately HK\$0.6 million, or 1.3%, when compared to the nine months ended 31 December 2015, to approximately HK\$45.5 million. The decrease in revenue was primarily attributable to the decrease in general consumer sentiment due to the slowdown of economic growth in Hong Kong and the People’s Republic of China (the “**PRC**”) and the increasingly intensified competition in the industry.

In May 2016, the Group’s Medicskin Centre in Central (“**Central Medicskin Centre**”) was relocated from Tak Shing House to New World Tower II, which occupies the whole of 21st floor of New World Tower II, with around 5,000 square feet in gross floor area. The new Central Medicskin Centre with elegant décor provides better facilities and a more comfortable environment to our clients and enhances their experience. We believe this in turn will enhance our clients’ satisfaction and bring additional revenue to the Group in the long term.

On 29 September 2016, a subscription agreement was entered into between the Company and Rich Unicorn, pursuant to which the Company has conditionally agreed to allot and issue, and Rich Unicorn has conditionally agreed to subscribe for, 80,000,000 Subscription Shares at the subscription price of HK\$0.648 per Subscription Share. Rich Unicorn is beneficially owned by Fullshare. The completion of the Subscription took place on 25 October 2016. The gross proceeds from the Subscription were approximately HK\$51,840,000 and the net proceeds from the Subscription, after deduction of actual related expenses of approximately HK\$1,592,000 were approximately HK\$50,248,000. The Company intended to use the majority of the net proceeds from the Subscription of approximately HK\$40,000,000 for acquisition of premises. The Board considers that, while broadening the shareholder base of the Company, the Subscription represents a valuable opportunity for the Company to bring in a renowned investor with strong financial resources and extensive business network, which in turn would bring strategic value to the Group. The Board also believes that Fullshare becoming a Shareholder will provide synergy to the Group in the development of its business in the medical skin care industry.

On 24 January 2017, Golden Dickson (HK) Limited (“**Gloden Dickson**”), a wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement with the vendor to acquire a property located at the whole of 25th Floor, (which includes units A, B, C and D on the 25th Floor) Guangdong Tours Centre, 18 Pennington Street, Hong Kong (the “**Property**”) at a total consideration of HK\$44,000,000. The formal sale and purchase agreement was signed by Golden Dickson and the vendor on 7 February 2017. It is expected that the acquisition will complete on or before 24 March 2017. For details of the abovementioned acquisition, please refer to the announcement of the Company dated 24 January 2017.

The Company is currently at a preliminary stage of discussing to form a joint venture (the “**Proposed Joint Venture**”) with Kangxi Int’l Life Science Holdings Limited (“**Kangxi Int’l**”) for carrying out business in providing professional healthcare/skincare services and products in the PRC market in co-operation with a number of hospitals in the PRC.

No legally binding agreement in relation to the Proposed Joint Venture has been entered into as at the date of this announcement. In the event that any announcement in relation to the Proposed Joint Venture is required to be published pursuant to the GEM Listing Rules, the Company will comply with the relevant requirements thereunder. The Board believes that the Proposed Joint Venture can (i) provide an opportunity for the Group to step into the healthcare and medical skin care industry in the PRC market; and (ii) enhance the Group’s overall competitiveness in the medical skin care industry to achieve better financial performance and which, the Board considers, would be beneficial and in the interests of the Company and the Shareholders as a whole.

Kangxi Int’l is a company with limited liability incorporated in Hong Kong. According to the information provided by Kangxi Int’l, it is an affiliate company of Shenzhen Kangxi Precision Medical Management Limited (深圳康希精准醫療管理有限公司) (“**Kangxi Precision Medical**”). Kangxi Precision Medical is a company with limited liability established in the PRC and is principally engaged in selling and distributing health care products, the provision of cell therapy and body check services to the clients in the PRC.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, Kangxi Int’l, Kangxi Precision Medical and their respective ultimate beneficial owners are independent third parties who are not connected persons (as defined under the GEM Listing Rules) of the Company.

OUTLOOK

It is expected that Hong Kong, the PRC and the global economy will continue to fluctuate in the coming year and there will be increasingly fierce competition in the medical skin care industry, the Group's business 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 is becoming a commonplace. It is expected that more people will seek skin care services to improve of their appearance in pursuit of beauty and improving their self-esteem, thereby supporting growth of the medical skin care industry in Hong Kong. Continuing technological innovation and improvement of treatment devices by manufacturers also offer growth opportunities for all players within the industry.

The government of Hong Kong has been considering to tighten up the regulation(s) governing beauty industry and is currently reviewing the existing legislation(s) 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 may 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 from all over the world are increasingly purchasing goods over the Internet. The Group will continue to explore and launch new skincare products to enhance the quality, effectiveness and variety of its products and explore different sales channels and platforms for promoting and selling its skincare products to enhance its 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\$0.6 million, or 1.3%, from approximately HK\$46.1 million for the nine months ended 31 December 2015 to approximately HK\$45.5 million for the nine months ended 31 December 2016. The decrease was primarily attributable to the decrease in general consumer sentiment due to the slowdown of economic growth in Hong Kong and the PRC and increasingly intensified competition in the industry which in turn decreased the client flow as well as the frequency of client visits.

Inventories used

The Group's cost of inventories used remained stable at approximately HK\$6.0 million for the nine months ended 31 December 2015 and 2016, respectively, representing 13.0% and 13.3% of the revenue for the respective periods.

Staff costs

Staff costs decreased by approximately HK\$2.2 million, or 8.7%, from approximately HK\$25.2 million for the nine months ended 31 December 2015 to approximately HK\$23.0 million for the nine months ended 31 December 2016. The decrease was primarily attributable to the decrease in the number of staff.

Depreciation of property, plant and equipment

Depreciation expenses increased by approximately HK\$0.4 million, or 22.2%, from approximately HK\$1.8 million for the nine months ended 31 December 2015 to approximately HK\$2.2 million for the nine months ended 31 December 2016. The increase was primarily attributable to the purchases of property, plant and equipment due to relocation of the Central Medicskin Centre during the nine months ended 31 December 2016.

Other expenses

Other expenses increased by approximately HK\$1.5 million, or 15.0%, from approximately HK\$10.0 million for the nine months ended 31 December 2015 to approximately HK\$11.5 million for the nine months ended 31 December 2016. The increase was primarily attributable to the increase in rental expenses and ancillary cost of premises (including management fee, air conditioning charges and government rates) due to the relocation of the Central Medicskin Centre.

Income tax expense

Income tax expense remained stable at approximately HK\$1.1 million for each of the nine months ended 31 December 2015 and 2016.

Profit for the period

As a result of the foregoing, the profit for the period increased by approximately HK\$0.2 million, or 12.5%, from approximately HK\$1.6 million for the nine months ended 31 December 2015 to approximately HK\$1.8 million for the nine months ended 31 December 2016.

DISCLOSURE OF INTERESTS

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

As at 31 December 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long position

(a) Ordinary shares of the Company

Name of Director	Capacity/ Nature of interest	Number of shares	Percentage of issued share capital
Dr. Kong ^(note)	Interest in a controlled corporation	277,000,040	57.66%

Note: The 277,000,040 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 the share option scheme of the Company (the "Share Option Scheme") were as follows:

Name of Director	Grant date	Exercise price per share	Vesting period	Exercise period	As at 1.4.2016	Number of share options				As at 31.12.2016
						Granted	Exercise	Cancelled	Lapsed	
Chan Cheong Tat	17.08.2015	0.67	17.08.2015 – 16.08.2016	17.08.2016 – 16.08.2017	400,000	-	-	-	-	400,000
Lee Ka Lun	17.08.2015	0.67	17.08.2015 – 16.08.2016	17.08.2016 – 16.08.2017	400,000	-	-	-	-	400,000
Leung Siu Cheung	17.08.2015	0.67	17.08.2015 – 16.08.2016	17.08.2016 – 16.08.2017	400,000	-	-	-	-	400,000
					<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,200,000</u>

Save as disclosed above, as at 31 December 2016, 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 31 December 2016, 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	277,000,040	57.66%
Rich Unicorn <i>(note b)</i>	Beneficial owner	80,000,000	16.65%
Fullshare <i>(note b)</i>	Interest in a controlled corporation	80,000,000	16.65%
Magnolia Wealth <i>(note b)</i>	Interest in a controlled corporation	80,000,000	16.65%
Mr. Ji <i>(note b)</i>	Interest in a controlled corporation	80,000,000	16.65%

Note:

- (a) The entire issued share capital of Topline is beneficially owned by Dr. Kong. Therefore Dr. Kong is deemed to be interested in all the shares of the Company held by Topline.
- (b) On 29 September 2016, a subscription agreement was entered into between the Company and Rich Unicorn, pursuant to which the Company has conditionally agreed to allot and issue, and Rich Unicorn has conditionally agreed to subscribe for, 80,000,000 Subscription Shares at the subscription price of HK\$0.648 per Subscription Share. The completion of Subscription took place on 25 October 2016. Rich Unicorn is beneficially owned by Fullshare. Fullshare is in turn owned as to 46.58% by Magnolia Wealth International Limited (“**Magnolia Wealth**”), a company incorporated in the British Virgin Islands with limited liability, whose entire issued share capital is beneficially owned by Mr. Ji Changqun (“**Mr. Ji**”). In addition, Mr. Ji holds 4.75% of Fullshare directly as the beneficial owner. Therefore, Fullshare, Magnolia Wealth and Mr. Ji are deemed to be interested in all the shares of the Company held by Rich Unicorn.

Save as disclosed above, as at 31 December 2016, 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 nine months ended 31 December 2016.

CORPORATE GOVERNANCE CODE

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

CHANGE OF COMPLIANCE ADVISER

The Company and Shenwan Hongyuan Capital (H.K.) Limited (formerly known as “Shenyin Wanguo Capital (H.K.) Limited”) have mutually agreed to terminate the compliance adviser agreement dated 3 December 2014 with effect from 1 August 2016 due to the consideration of fee levels.

Ample Capital Limited (“**Ample Capital**”) has been appointed as the replacement compliance adviser to the Company pursuant to Rule 6A.27 of the GEM Listing Rules with effect from 1 August 2016. For further details, please refer to the announcement of the Company dated 11 July 2016.

INTERESTS OF COMPLIANCE ADVISER

As at 31 December 2016, as notified by the Company’s compliance adviser, Ample Capital (the “**Compliance Adviser**”), neither the Compliance Adviser nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

During the nine months ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

SHARE OPTION SCHEME

The Share Option Scheme provides incentive and/or rewards eligible persons for their contribution to, and continuing efforts to promote the interest of, the Group. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

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

Type of Participants	Grant date	Exercise price per share	Vesting period	Exercise period	Number of share options					
					As at 1.4.2016	Granted	Exercised	Cancelled	Lapsed	As at 31.12.2016
Directors	17.08.2015	0.67	17.08.2015 – 16.08.2016	17.08.2016 – 16.08.2017	1,200,000	–	–	–	–	1,200,000
Others	17.08.2015	0.67	17.08.2015 – 16.08.2016	17.08.2016 – 16.08.2017	800,000	–	(400,000)	–	–	400,000
					<u>2,000,000</u>	<u>–</u>	<u>(400,000)</u>	<u>–</u>	<u>–</u>	<u>1,600,000</u>

On 13 October 2016, a total of 400,000 ordinary shares of the Company were allotted to a grantee (other than Directors) who exercised the share options granted to him pursuant to the Share Option Scheme. As at the date of this announcement, 1,600,000 ordinary shares of the Company are issuable for options granted under the Share Option Scheme.

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 consolidated financial statements of the Group for the nine months ended 31 December 2016 and this announcement 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, 10 February 2017

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

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.