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 2017

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 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 2017 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 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*4*	**62,062**	60,073
Other income, gains and losses		**110**	(566)
Inventories used		**(8,269)**	(7,697)
Staff costs		**(31,100)**	(32,727)
Depreciation of property, plant and equipment		**(3,064)**	(2,015)
Other expenses		**(15,371)**	(13,391)
Profit before tax	*5*	**4,368**	3,677
Income tax expense	*6*	**(1,200)**	(1,323)
Profit and total comprehensive income for the year attributable to owners of the Company		**3,168**	2,354
Earnings per share, basic *(HK cent)*	*8*	**0.73**	0.59
Earnings per share, diluted *(HK cent)*	*8*	**0.73**	0.59

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**56,037**	5,488
Rental deposits		**2,421**	2,822
Deposits paid for purchase of property, plant and equipment		**172**	1,305
		58,630	9,615
Current assets			
Inventories		**3,699**	2,958
Trade receivables	*9*	**605**	311
Deposits and prepayments		**1,269**	1,871
Tax recoverable		**67**	812
Pledged bank deposits		**8,500**	8,500
Bank balances and cash		**28,496**	30,032
		42,636	44,484
Current liabilities			
Trade payables	*10*	**985**	508
Accrued liabilities		**3,346**	2,021
Deferred revenue		**14,167**	7,675
Dividend payable	*7*	**–**	6,000
		18,498	16,204
Net current assets		**24,138**	28,280
Total assets less current liabilities		**82,768**	37,895
Non-current liability			
Deferred tax liability		**170**	127
		170	127
Net assets		**82,598**	37,768
Capital and reserves			
Share capital		**4,804**	4,000
Reserves		**77,894**	33,768
Equity attributable to owners of the Company		**82,598**	37,768

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. GENERAL

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 ("**Shares**") have been listed on GEM of the Stock Exchange since 18 December 2014. Its immediate and ultimate holding company is Topline Worldwide Limited, a company incorporated in British Virgin Islands with limited liability. Its ultimate controlling party is Dr. Kong Kwok Leung ("**Dr. Kong**"), who is also the chairman and executive Director of the Company. The address of its registered office is P.O. Box 309, Ugland 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle

Except as described below, the application of the amendments to 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.

Amendments to HKAS 1 Disclosure Initiative

The Group has applied the amendments to HKAS 1 Disclosure Initiative for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The grouping and ordering of certain notes have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instrument[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
HK(IFRIC) - Int 22	Foreign Currency transaction and advance consideration[1]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 cycle[5]

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

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

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 2017.

5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases 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, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of approximately HK$11,257,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

The Directors anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group.

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.

The consolidated financial statements have been prepared on the historical basis at the end of each reporting period.

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, 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

	2017	2016
	HK$'000	*HK$'000*
Consultation Service	**3,768**	3,524
Prescription and Dispensing Service	**24,567**	26,895
Treatment Service	**33,727**	29,654
	62,062	60,073

5. PROFIT BEFORE TAX

	2017	2016
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging:		
Auditor's remuneration	**599**	500
Allowance for inventories	**29**	83
Staff costs		
Directors' emoluments	**5,655**	3,003
Other staff costs		
– salaries, allowance and other benefits	**23,850**	27,967
– share-based payments	**1,054**	1,093
– contributions to retirement benefits schemes	**541**	664
	31,100	32,727
Depreciation of property, plant and equipment		
– owned assets	**3,064**	2,015

6. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Income tax expense comprises:		
Hong Kong Profits Tax		
Current year	**1,180**	1,250
(Over)underprovision in prior years	**(23)**	73
	1,157	1,323
Deferred tax charge	**43**	–
	1,200	1,323

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

7. DIVIDENDS

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 approved by the shareholders of the Company (the "**Shareholders**") in the annual general meeting 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.

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 year ended 31 March 2017.

Subsequent to the end of the reporting period, a final dividend of HK0.2 cent per share in respect of the year ended 31 March 2017, amounting to approximately HK$961,000, has been proposed by the Board and is subject to approval by the Shareholders in the forthcoming general meeting.

8. EARNINGS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per Share (profit for the year attributable to owners of the Company)	**3,168**	2,354

	'000	*'000*
Number of Shares:		
Weighted average number of ordinary Shares for the purpose of calculating basic earnings per Share	**434,816**	400,000
Effect of diluting potential ordinary shares:		
Share options issued by the Company	**265**	N/A
Weighted average number of ordinary Shares for the purpose of calculating diluted earnings per Share	**435,081**	400,000

In prior year, 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 were higher than the average market price of Shares.

9. 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.

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**522**	278
31–60 days	**58**	33
61–90 days	**25**	–
Total	**605**	311

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.

10. 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:

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**985**	508

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

In 2016, the Hong Kong retail market remained weak and volatile during the year. As revealed by the Census and Statistics Department of Hong Kong, the total retail sales value in 2016 in Hong Kong fell by 8.1% to HK$436.6 million compared with that of 2015. Despite the challenging market conditions, the Group improved its performance in the second half of the year with growth in revenue and notable increase in net profit.

For the year ended 31 March 2017, the revenue of the Group increased by approximately HK$2.0 million, or 3.3%, to approximately HK$62.1 million, when compared to the year ended 31 March 2016. The revenue of Consultation Service, Prescription and Dispensing Service and Treatment Service amounted to approximately HK$3.8 million, HK$24.6 million and HK$33.7 million which accounted for approximately 6.1%, 39.6%, and 54.3% 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 increase in the number of client visits and average revenue (per visit) from Treatment Service. Approximately 74.0% of our clients were aged between 26 to 55, while approximately 89.0% of our clients were female. Most of the Treatment Service were performed by our doctors, with approximately 94.9% of the revenue from Treatment Service generated from treatments performed by our doctors at our Medicskin Centres. The Group's net profit attributable to the Shareholders increased 33.3% from HK$2.4 million of last corresponding year to HK$3.2 million. Basic earnings per Share for the year was HK0.73 cent as compared to HK0.59 cent per Share of last corresponding year.

In May 2016, the Group's Medicskin Centre in Central was relocated 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 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 Holdings Limited ("**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 new Shares (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 whose issued shares are listed on the Stock Exchange (Stock code: 607). The completion of the Subscription took place on 25 October 2016. The gross proceeds from the Subscription were approximately HK$51.8 million and the net proceeds from the Subscription, after deduction of actual related expenses of approximately HK$1.6 million were approximately HK$50.2 million. The Board considers that, the Subscription broadened the Shareholder base of the Company and brought in a renowned investor with strong financial resources and extensive business network, which in turn would bring strategic value to the Group as well as provide synergy to the Group in the development of its business in the medical skin care industry.

To expand the Group's service centre network in Hong Kong, Golden Dickson (HK) Limited ("**Golden 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 of 25th floor), Guangdong Tours Centre, 18 Pennington Street, Hong Kong (the "**Property**") at a total consideration of HK$44.0 million, on 24 January 2017. The formal sale and purchase agreement was signed by Golden Dickson and the vendor on 7 February 2017. The completion of the acquisition took place on 24 March 2017. Upon expiration of the existing lease of the Property in February 2018, the Property will be used as a new skin care centre of the Group. Due to the continue increase in rent of office buildings in prime locations in Hong Kong, we considered that it would be in the long term interests of the Company and its Shareholders to have its skin care centre operating in self-owned properties, and ultimately increase market penetration of the Group.

OUTLOOK

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

The proposed legislation by the government of Hong Kong to strengthen regulation and enhance standards, aiming to protect patients' safety and consumer rights as well as contribute to the sustainable development of the local healthcare system may introduce a change in compliance standards in connection with 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.

The Group will continue to keep abreast of the latest industry knowledge in order to offer the most suitable and updated services to our clients. The Group continuously performs market research on the development of, and evaluate the effects of the latest products, skills and treatment devices and technology. We believe that the introduction of new types of services and products is one of the driving forces for the growth of the Group's business and is a significant way to maintain the Group's competitiveness and its forefront position in the industry. We also believe the new skin care centre to be opened in Causeway Bay would attract new clients and ultimately increase market penetration and profitability of the Group.

Leveraging the support of the capital market, our own strengths, and person's pursuing on physical appearance, the Group is cautiously confident about its development in the future. We will continue using its best endeavors to provide the highest quality medical skin care services and products to our clients and strengthening its market position so as to grow its brand and business and to maximise returns for our investors.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK$2.0 million, or 3.3%, from approximately HK$60.1 million for the year ended 31 March 2016 to approximately HK$62.1 million for the year ended 31 March 2017. The increase was primarily attributable to the increase in the number of client visits and average revenue (per visit) from Treatment Service.

Inventories used

The Group's cost of inventories used was approximately HK$8.3 million and approximately HK$7.7 million for the years ended 31 March 2017 and 2016 respectively, representing 13.4% and 12.8% of the revenue for the respective years.

Staff costs

Staff costs decreased by approximately HK$1.6 million, or 4.9%, from approximately HK$32.7 million for the year ended 31 March 2016 to approximately HK$31.1 million for the year ended 31 March 2017. 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$1.1 million or 55.0%, from approximately HK$2.0 million for the year ended 31 March 2016 to approximately HK$3.1 million for the year ended 31 March 2017. The increase was primarily attributable to the purchases of property, plant and equipment due to relocation of the Central Medicskin Centre during the year ended 31 March 2017.

Other expenses

Other expenses increased by approximately HK$2.0 million, or 14.9%, from approximately HK$13.4 million for the year ended 31 March 2016 to approximately HK$15.4 million for the year ended 31 March 2017. The increase was primarily attributable to the increase in rental expenses and ancillary costs of premises (including management fee, air conditioning charges and government rates) and extra rental expenses and ancillary costs of premises paid during the renovation period due to the relocation of the Central Medicskin Centre.

Income tax expense

Income tax expense decreased by approximately HK$0.1 million, or 7.7%, from approximately HK$1.3 million for the year ended 31 March 2016 to approximately HK$1.2 million for the year ended 31 March 2017. The decrease was primarily attributable to the decrease in profit before tax of a major operating subsidiary.

Profit for the year

As a result of the foregoing, the profit for the year increased by approximately HK$0.8 million, or 33.3%, from approximately HK$2.4 million for the year ended 31 March 2016 to approximately HK$3.2 million for the year ended 31 March 2017.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The capital of the Group only comprises ordinary Shares.

The total equity of the Group as at 31 March 2017 was approximately HK$82.6 million (2016: approximately HK$37.8 million). The Group generally financed its operation with internally generated cash flows. The Group had bank balances and cash of approximately HK$28.5 million as at 31 March 2017 (2016: approximately HK$30.0 million), with no external borrowing (2016: Nil). As at 31 March 2017, the Group had net current assets of approximately HK$24.1 million (2016: approximately HK$28.3 million).

Cash generated from operations for the year ended 31 March 2017 was approximately HK$16.7 million (2016: approximately HK$3.8 million). With the healthy bank balances and cash on hand, the Group's liquidity position remained strong and it had sufficient financial resources to fund its future plans and to meet its working capital requirement. As at 31 March 2017, the Group had unused banking facilities of HK$4.0 million (2016: HK$4.0 million).

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended 31 March 2017, there was no significant investment held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed above and in the prospectus issued by the Company dated 12 December 2014, the 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 2017.

COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of its office premises and the Medicskin Centres. As at 31 March 2017, the Group's operating lease commitments amounted to approximately HK$11.3 million (2016: approximately HK$18.7 million).

As at 31 March 2017, the Group had capital commitments in respect of acquisition of property, plant and equipment of approximately HK$178,000 (2016: HK$465,000).

CONTINGENT LIABILITIES

As at 31 March 2017, the Group did not have material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2017, the Group pledged its bank balances of approximately HK$8.5 million (2016: HK$8.5 million) 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 2017, the Group employed a total of 45 full-time and 3 part-time employees (2016: 49 full-time and 3 part-time employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$31.1 million for the year ended 31 March 2017 (2016: approximately HK$32.7 million). Remuneration is determined with reference to factors such as comparable market salaries and the performance, time commitment and responsibilities of each individual. Employees are provided with relevant in-house and/or external trainings from time to time. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group. The Company has adopted a share option scheme (the "**Share Option Scheme**") on 3 December 2014, under which the Company may grant share options to eligible employees for subscribing Shares.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 March 2017 (the "**AGM**") will be held on Wednesday, 26 July 2017. A notice convening the AGM will be issued and sent to the Shareholders in due course.

DIVIDENDS

Details of the dividends declared and distributed by the Company during the year ended 31 March 2017 are set out in note 7.

The Board recommends the payment of a final dividend of HK0.2 cent per Share for the year ended 31 March 2017 to the Shareholders whose names appear on the register of members of the Company on Thursday, 3 August 2017. Subject to the approval of the Shareholders at the AGM, the final dividend will be posted on Friday, 18 August 2017 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 2017.

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 Friday, 21 July 2017 to Wednesday, 26 July 2017, 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 Thursday, 20 July 2017.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 1 August 2017 to Thursday, 3 August 2017, 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, 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, 31 July 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2017, 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 2017.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry 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 2017.

SHARE OPTION SCHEME

The Company adopted 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 2017, there were an aggregate of 1,600,000 outstanding options to subscribe for 1,600,000 Shares pursuant to the Share Option Scheme. Details of such outstanding options are the same as disclosed in the third quarterly report of the Company dated 10 February 2017.

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 2017 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 2017 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 the year ended 31 March 2017 containing the information required by the GEM Listing Rules will be dispatched to the Shareholders in due course.

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

Hong Kong, 16 June 2017

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

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.