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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)

MAJOR TRANSACTION DISPOSAL OF A PROPERTY HOLDING COMPANY

THE DISPOSAL

The Board is pleased to announcement that, on 29 January 2019 (after trading hours), the Company entered into the Provisional Agreement with the Purchaser, pursuant to which the Company has agreed to sell the Sale Share and the Shareholder Loan, and the Purchaser has agreed to acquire the same for a Consideration of HK\$46,000,000.00 on and subject to the terms and conditions contained in the Provisional Agreement.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios (as defined under Chapter 19 of the GEM Listing Rules) in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements under the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Disposal. A written Shareholder's approval dated 29 January 2019 has been obtained from Topline (which as at the date of this announcement held 274,865,400 shares in the Company, representing approximately 56.59% of the issued share capital of the Company) in respect of the Disposal. Such written approval has been accepted in lieu of holding a general meeting of the Company for approving the Disposal. Therefore, no general meeting of the Company will be convened for approving the Disposal pursuant to Rule 19.44 of the GEM Listing Rules.

A circular containing, among other things, details of the Disposal and other information as required under the GEM Listing Rules is expected to be despatched to the Shareholders on or before 22 February 2019. If additional time is required for preparing the Circular, the Company may apply for a waiver from strict compliance of Rule 19.41(a) of the GEM Listing Rules.

Shareholders and potential investors of the Company should note that the Disposal may or may not proceed as they are subject to a number of Conditions, which may or may not be fulfilled. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

INTRODUCTION

On 29 January 2019 (after trading hours), the Company entered into the Provisional Agreement with the Purchaser, pursuant to which the Company has agreed to sell the Sale Share and the Shareholder Loan, and the Purchaser has agreed to acquire the same for a Consideration of HK\$46,000,000.00 on and subject to the terms and conditions contained in the Provisional Agreement.

THE PROVISIONAL AGREEMENT

Date : 29 January 2019

Parties : (1) The Company, being the vendor
(2) The Purchaser

Subject matter

The Company has agreed to sell the Sale Share and the Shareholder Loan to the Purchaser pursuant to the terms of the Provisional Agreement.

The Sale Share represents the entire issued share capital of the Target Company and is legally and beneficially owned by the Company. The Shareholder Loan represents all such sum of money advanced by way of loan by the Company to the Target Company and due and owing by the Target Company to the Company as at Completion Date and as at the date of this announcement, such sum amounted to approximately HK\$47,000,000.00.

The Company and the Purchaser have agreed to negotiate in good faith and use all their reasonable endeavours to enter into the Formal Agreement. In the event that the Company and the Purchaser shall fail to reach an agreement on the terms of the Formal Agreement on or before 28 February 2019, the Provisional Agreement shall remain valid and in full force and effect and the parties to the Provisional Agreement shall continue to fulfill their respective obligations thereunder.

Consideration and the payment terms

The Consideration of the Disposal shall be HK\$46,000,000.00 which is to be paid by the Purchaser in the following manner:

- 1) HK\$2,300,000.00 was paid to the Company upon signing of the Provisional Agreement as initial deposit;
- 2) HK\$2,300,000.00 is payable by the Purchaser on or before 28 February 2019 as further deposit; and
- 3) the remaining balance of HK\$41,400,000.00 to be paid upon Completion.

The Consideration was determined after arm's length negotiations between the Company and the Purchaser on normal commercial terms with reference to the market value of similar properties in similar locations. The Directors (including the independent non-executive Directors) believe that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion is conditional upon the following:

- 1) the Purchaser having completed the due diligence investigation on the business, financial and legal aspects of the Target Company and satisfied that the Target Company has no liabilities other than the Guarantee (as defined below and to which the Company shall cause it to be released/cancelled/discharged at least three business days prior to the Completion Date) and the Shareholder's Loan; all tax liabilities, deferred tax liabilities (including any contingent tax liability arising as a result of rental income) (if any); rental deposit received, prepayment received (including but not limited to rental received in advance) and accrued accounts payable and accounts payable in the ordinary course of business (if any), and it has complied with the applicable laws in all material aspects;
- 2) the Company, shall at the Company's own cost, procure the Target Company to prove and show a good title to the Property in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong) and has at the Company's own expenses furnished to the Purchaser such certified or attested copies of any deeds or documents of title, wills and matters of public records as may be necessary to prove such good title;
- 3) all the representations, undertakings and warranties given by the Company under the Provisional Agreement and the Formal Agreement (if entered into) are and shall remain true, accurate, correct and complete and not misleading in all material respects up to the Completion; and

- 4) the Disposal shall be duly approved by the Shareholders in accordance with the applicable laws and the GEM Listing Rules; and
- 5) the Company shall cause the guarantee (the “**Guarantee**”) provided by the Target Company in favour of Hang Seng Bank Limited (the “**Bank**”) for the relevant facilities granted to Medicskin Laboratories Limited (a subsidiary of the Company) by Hang Seng Bank Limited be released/cancelled/discharged and deliver to the Purchaser such letter of release/cancellation/discharge or evidence showing the same at least three business days prior to the Completion Date.

If any of the foregoing conditions is not fulfilled (or waived by the Purchaser) on or before the Completion Date, the Purchaser shall be entitled by sending a written notice to the Company on or before the Completion Date to cancel the transaction under the Provisional Agreement whereupon the Company shall return all the deposits paid to the Purchaser forthwith without interest and neither party shall be entitled to claim against the other party for any relief thereafter.

Completion

Completion shall take place at or before 2:00 p.m. on 31 May 2019, or 10 business days after the occurrence of all of the following events, whichever is later:

- (i) the Company has obtained clearance from the Stock Exchange regarding the publication of the circular in relation to the Disposal (the “**Circular**”); and
- (ii) the release/cancellation/discharge of the Guarantee by the Bank.

The Purchaser and the Company further agree that, if the clearance to issue the Circular is not obtained on or before 31 July 2019, or if the Guarantee is not released/cancelled/discharged by the Bank on or before 31 July 2019, either party shall be entitled to cancel the transaction under the Provisional Agreement and the Company shall refund all the deposits (without interest) to the Purchaser forthwith, and thereafter none of the party shall have any claim against the other.

INFORMATION ON THE COMPANY, THE TARGET COMPANY AND THE PROPERTY

The Company is an investment holding company. The Group, comprising the Company and its subsidiaries, is a medical skin care service provider in Hong Kong. Currently, the Group operates two “Medicskin” branded medical skin care centres, one anti-aging centre and one beauty spa, at prime locations in Hong Kong that primarily focus on the treatment of skin diseases and problems and/or the improvement of appearance of clients. The Group provides wide range of services to clients for the treatment of, inter alia, skin diseases and problems such as acne, pigmentation, rosacea, dermatitis, eczema and warts, as well as for the improvement of appearance through, inter alia, skin rejuvenation, facial sculpturing and body contouring treatments, treatments of acne scars and enlarged pores, removal of undesirable naevi, and hair removal.

The Target Company is a wholly-owned subsidiary of the Company. Its principal business is property holding and it is the sole owner of the Property. The Property is located at the whole of the 25th Floor, Guangdong Tours Centre, 18 Pennington Street, Hong Kong. Currently the Property are subject to two leases and each with a monthly rental income of HK\$43,000 and a term up to 31 May 2020. Approximately half of the Property is used by the Group for the operation of a beauty spa which offers extensive range of professional services from medical skin care treatments to relaxing facial massages and body treatments; and the other half of the Property is used by a non-controlling shareholder of a subsidiary of the Company.

Set out below is a summary of the audited financial information of the Target Company for the period from 1 November 2016 (date of incorporation) to 31 March 2018:

	For the period from 1 November 2016 (date of incorporation) to 31 March 2018 <i>HK\$'000</i>
Revenue	993
Net loss before taxation	85
Net loss after taxation	153

The unaudited total liabilities and net liabilities of the Target Company as at 31 March 2018 was approximately HK\$48,197,000 and HK\$153,000 respectively.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and its financial results will cease to be consolidated into the Group's financial statements.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands and is principally engaged in investment holding.

The Company confirms that to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

The uncertainties arising from the US-China Trade War has led to a slowdown in rental and capital value growth of commercial properties in Hong Kong in the second half of 2018, and it is anticipated that Hong Kong's commercial property market will continue to be clouded by the trade war in 2019. On one hand, the Directors considered that it is an appropriate timing to realise the Group's investment in the property, and on the other hand, the Directors expect that the rental expense would remain relatively stable as the commercial property market in Hong Kong is likely to be continuously affected by the trade war. Further, the proceeds from the Disposal can further strengthen the cash position of the Group and are expected to be used as general working capital, financing and/or potential acquisition of other businesses in medical skincare industry.

It is expected that the Group will record a loss before taxation of approximately HK\$1.2 million from the Disposal, which is calculated with reference to the difference between (i) the Consideration and (ii) the aggregate of (a) the estimated unaudited net asset value of the Target Company as at 31 May 2019; (b) the amount of the Shareholder Loan; and (c) the estimated expenses in connection with the Disposal. Subject to audit, the actual amount of the loss on the Disposal to be recognised by the Group will depend on the net asset value of the Target Company as at Completion and therefore may be different from the amount mentioned above.

Taking into account the abovementioned factors, the Directors consider that the terms and conditions of the Disposal are fair and reasonable and on normal commercial terms and are in the interests of the Company and Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Chapter 19 of the GEM Listing Rules) in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements under the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Disposal. A written Shareholder's approval dated 29 January 2019 has been obtained from Topline (which as at the date of this announcement held 274,865,400 shares in the Company, representing approximately 56.59% of the issued share capital of the Company) in respect of the Disposal. Such written approval has been accepted in lieu of holding a general meeting of the Company for approving the Disposal. Therefore, no general meeting of the Company will be convened for approving the Disposal pursuant to Rule 19.44 of the GEM Listing Rules.

A Circular containing, among other things, details of the Disposal and other information as required under the GEM Listing Rules is expected to be despatched to the Shareholders on or before 22 February 2019. If additional time is required for preparing the Circular, the Company may apply for a waiver from strict compliance of Rule 19.41(a) of the GEM Listing Rules.

DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the meanings set out below:

“Board”	the board of Directors
“business day(s)”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“Circular”	a circular of the Company containing, among other things, details of the Disposal and other information as required under the GEM Listing Rules
“Company”	Medicskin Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM (Stock Code: 8307)
“Completion”	completion of the Disposal
“Completion Date”	the date on which Completion takes place
“Consideration”	HK\$46,000,000.00, being the consideration for the Disposal
“connected persons”	has the meaning as ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal by the Company of the Sale Share and the Shareholder Loan

“Formal Agreement”	the formal sale and purchase agreement to be entered into tentatively on or before 28 February 2019 between the Purchaser and the Company regarding the sale and purchase of the entire issued share capital of the Target Company and all shareholder’s loans owing by the Target Company to the Company pursuant to the Provisional Agreement
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“percentage ratios”	shall have the meaning ascribed to such term in Chapter 19 of the GEM Listing Rules
“Property”	the whole of the 25th Floor, Guangdong Tours Centre, 18 Pennington Street, Hong Kong
“Provisional Agreement”	the provisional sale and purchase agreement dated 29 January 2019 entered into between the Company and the Purchaser in respect of the sale and purchase of the Sale Share and the Shareholder Loan
“Purchaser”	China Win Assets Limited
“Sale Share”	the entire issued share capital in the Target Company held by the Company as at the date of the Provisional Agreement
“Shareholder(s)”	holder(s) of the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder Loan”	all such sum of money advanced by way of loan by the Company to the Target Company and due and owing by the Target Company to the Company as at Completion Date

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Golden Dickson (HK) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company and the sole legal and beneficial owner of the Property
“Topline”	Topline Worldwide Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling Shareholder of the Company
“%”	per cent.

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

Hong Kong, 29 January 2019

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

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.