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 2019, DECLARATION AND PAYMENT OF A SPECIAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

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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 2019 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 2019

		2019	2018
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**51,449**	57,793
Other income, gains and losses		**429**	1,157
Impairment loss in respect of trade receivables		**–**	(2)
Inventories used		**(7,706)**	(7,862)
Staff costs		**(25,919)**	(27,759)
Depreciation		**(4,592)**	(4,176)
Other expenses		**(22,388)**	(15,623)
(Loss) profit before tax	*5*	**(8,727)**	3,528
Income tax expense	*6*	**(177)**	(1,241)
(Loss) profit for the year		**(8,904)**	2,287
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**26**	–
		(8,878)	2,287
(Loss) profit for the year attributable to:			
Owners of the Company		**(5,480)**	2,533
Non-controlling interests		**(3,424)**	(246)
		(8,904)	2,287

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Total comprehensive (loss) income attributable to:			
Owners of the Company		**(5,466)**	2,533
Non-controlling interests		**(3,412)**	(246)
		(8,878)	2,287
(Loss) earnings per share, basic *(HK cent)*	*8*	**(1.13)**	0.53
(Loss) earnings per share, diluted *(HK cent)*	*8*	**(1.13)**	0.53

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**6,248**	52,616
Rental deposits		**3,003**	1,650
Deposits paid for purchase of property, plant and equipment		**–**	75
		9,251	54,341
Current assets			
Inventories		**4,122**	3,031
Trade receivables	*9*	**699**	279
Other receivable, deposits and prepayments		**1,947**	3,592
Tax recoverable		**951**	–
Pledged bank deposits		**9,837**	–
Bank balances and cash		**15,920**	18,746
		33,476	25,648
Assets classified as held for sale		**45,586**	–
		79,062	25,648
Current liabilities			
Trade payables	*10*	**499**	423
Other payable and accrued liabilities		**2,524**	2,403
Amount due to a non-controlling shareholder of a subsidiary		**539**	–
Deposit received		**4,600**	–
Contract liabilities		**24,344**	–
Deferred revenue		**–**	15,895
Tax payable		**–**	65
		32,506	18,786
Liabilities associated with assets classified as held for sale		**318**	–
		32,824	18,786

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Net current assets		**46,238**	6,862
Total assets less current liabilities		**55,489**	61,203
Non-current liabilities			
Deferred tax liability		**–**	115
Provision for reinstatement costs		**400**	–
		400	115
Net assets		**55,089**	61,088
Capital and reserves			
Share capital		**4,857**	4,804
Reserves		**53,125**	55,765
Equity attributable to owners of the Company		**57,982**	60,569
Non-controlling interests		**(2,893)**	519
Total equity		**55,089**	61,088

1. GENERAL

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on GEM of the Stock Exchange. Its immediate and ultimate holding company is Topline Worldwide Limited, a company incorporated in the British Virgin Islands with limited liability. Its ultimate controlling party is Dr. Kong Kwok Leung ("**Dr. Kong**"), who is also the Chairman, Chief Executive Officer and Executive Director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporation information section of the annual report.

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

The functional currency of the Company is Hong Kong dollars ("**HK$**"), which is the same as the presentation currency of the consolidated financial statements.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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.

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue.

Revenue of the Group are derived from the (i) provision of consultation services ("**Consultation Service**"), (ii) provision of skin care treatments ("**Treatment Service**"), and (iii) prescription and dispensing of medication and/or skincare products ("**Prescription and Dispensing Service**").

Impact on the application of HKFRS 15 Revenue from Contracts with Customers are set out below.

Accounting for expected unexercised rights on Treatment Service

The Group offers prepaid treatment packages to in relation to Treatment Service ("**Prepaid Treatment Packages**") to customers as Treatment Service requires multiple sessions to achieve desired results.

Receipts of a prepayment from customers are deferred and recognised as deferred revenue under HKAS 18 or contract liabilities under HKFRS 15 in the consolidated statement of financial position initially and subsequently recognised as revenue when the services are provided to customers. These non-refundable prepayments give the customer a right to receive Treatment Service in the future (and oblige the Group to stand ready to provide Treatment Service). Customers may not exercise all of their contractual rights within the valid service periods.

Under HKAS 18 Revenue, deferred revenue of unexercised rights on Treatment Service were recognised in the consolidated statement of profit or loss upon the first anniversary of the contractual expiry date of the Prepaid Treatment Package (i.e. the end of the valid service period).

Under HKFRS 15, those expected unexercised rights are referred to as "breakage". The expected unexercised rights on Treatment Service is estimated by management based on historical customer behaviour and usage pattern and is recognised as revenue when the likelihood of the customer exercising its remaining rights become remote.

Application of HKFRS 15 may result in acceleration of revenue. Upon transition to HKFRS 15, at 1 April 2018, the Group recognised the expected breakage amount of HK$278,000 in the opening retained profits. The Group recognised the expected breakage amount of HK$175,000 as revenue in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019. Moreover, at the date of initial application of HKFRS 15 (i.e. 1 April 2018), deferred revenue of HK$15,895,000 related to the receipt in respect of Prepaid Treatment Packages was reclassified to contract liabilities.

Incremental costs of obtaining a contract

In respect of provision for Treatment Service, the Group incurred incremental commission paid/payable to employees in connection with obtaining Prepaid Treatment Packages with customers. These amounts were previously expensed as incurred.

Under HKFRS 15, incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Incremental costs of obtaining a contract with a customer shall be recognised as an asset in the Group's consolidated statement of financial position if the Group expects to recover those costs. Such costs shall be recognised in the consolidated statement of profit or loss in the period in which the contract liabilities to which they relate is recognised as revenue. At the date of initial application of HKFRS 15, incremental costs of obtaining contracts have had no material financial impact on the Group's financial position and performance.

Summary of effects arising from initial application of HKFRS 15 Revenue from Contracts with Customers

The following table summarises the impacts of transition to HKFRS 15 Revenue from Contracts with Customers on retained profits at 1 April 2018.

	HK$'000
Retained profits	7,322
Recognition of revenue	278
As at 1 April 2018	7,600

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	Reclassification	Remeasurements	**Carrying amounts under HKFRS 15 at 1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***
Current liabilities				
Contract liabilities	–	15,895	(278)	**15,617**
Deferred revenue	15,895	(15,895)	–	**–**
Capital and reserves				
Reserves	55,765	–	278	**56,043**

The following tables summarise the impacts of applying HKFRS 15 Revenue from Contracts with Customers on the Group's consolidated statement of financial position as at 31 March 2019 and its consolidated statement of profit or loss and other comprehensive income for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Contract liabilities	24,344	(24,344)	–
Deferred revenue	–	24,591	24,591
Capital and reserves			
Reserves	53,125	(247)	52,878

Impact on the consolidated statement of profit or loss and other comprehensive income

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
		(Note)	
Revenue	51,449	31	51,480
Loss before tax	(8,727)	31	(8,696)
Income tax expense	(177)	–	(177)
Loss for the year	(8,904)	31	(8,873)

Note:

Upon transition to HKFRS 15, at 1 April 2018, the Group recognised the expected breakage amount of HK$278,000 in the opening retained profits, in which unexercised rights on Treatment Service amounted to HK$206,000 would have been recognised in as revenue upon the end of the valid service periods during year ended 31 March 2019 under HKAS 18 Revenue. Under HKFRS 15, the Group recognised the expected breakage amount of HK$175,000 as revenue in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019. The net impact to revenue is amounted to HK$31,000.

2.2 HKFRS 9 Financial Instruments and the related amendments

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 Financial Instruments introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 Financial Instruments in accordance with the transition provisions set out in HKFRS 9 Financial Instruments, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Summary of effects arising from initial application of HKFRS 9 Financial Instruments

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Original measurement category under HKAS 39	**New measurement category under HKFRS 9**	**Original carrying amount at 31 March 2018 under HKAS 39** *HK$'000*	**New carrying amount at 1 April 2018 under HKFRS 9** *HK$'000*
Rental deposits	Loans and receivables	Financial assets at amortised cost	1,650	1,650
Trade receivables	Loans and receivables	Financial assets at amortised cost	279	279
Other receivables and deposits	Loans and receivables	Financial assets at amortised cost	1,310	1,310
Bank balances and cash	Loans and receivables	Financial assets at amortised cost	18,746	18,746

Impairment under ECL model

In relation to the impairment of financial assets, HKFRS 9 requires an ECL model, as opposed to an incurred credit loss model under HKAS 39. The ECL model requires an entity to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the current year, the Group has applied the HKFRS 9 simplified approach to measure lifetime ECL for all trade receivables.

ECL for other financial assets at amortised cost, including rental deposits, other receivables and deposits, pledged bank deposits and bank balances, are measured on 12-month basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, the management of the Group reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9 and concluded that no material financial impact exists, and therefore no adjustment to the opening retained profits as at 1 April 2018 has been recognised.

2.3 Amendments to HKAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 April 2018.

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 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Amendments to Definition of Material[2]
Amendments to HKAS 19	Plant Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2015-2017 Cycle[1]

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

2 Effective for annual periods beginning on or after 1 January 2020

3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

4 Effective for annual periods beginning on or after 1 January 2021

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

Except for the new HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the Group's financial statements in the foreseeable future.

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. In addition, HKFRS 16 Leases requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 Revenue from Contracts with Customers as to whether the transfer of the relevant asset should be accounted as a sale.

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 upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of 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 and operating cash flows respectively by the Group.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, 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 2019, the Group has non-cancellable operating lease commitments of HK$21,480,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

In addition, the Group currently considers refundable rental deposits paid of HK$3,003,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

Upon application of HKFRS 16, the Group will apply the requirements of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale. For a transfer that does not satisfy the requirements as a sale, the Group will account for the transfer proceeds as financial liabilities within the scope of HKFRS 9. In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application will not be reassessed but the new requirements may impact the Group's future sale and leaseback transactions.

The application of new requirements may result changes in measurement, presentation and disclosure as indicated above. The Group elects the practical expedient to apply HKFRS 16 Leases to contracts that were previously identified as leases applying HKAS 17 Leases and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 Leases. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elects the modified retrospective approach for the application of HKFRS 16 Leases as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

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, as explained in the accounting policies set out below.

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. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. 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 Shared-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

4. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents revenue arising from provision of Consultation Service, Prescription and Dispensing Service and Treatment Service during the year.

Disaggregation of revenue from contracts with customers:

	2019	2018
	HK$'000	*HK$'000*
Consultation Service	**1,875**	2,762
Prescription and Dispensing Service	**17,015**	21,075
Treatment Service	**32,559**	33,956
	51,449	57,793

(a) Revenue from contracts with customers within the scope of HKFRS 15 by timing of revenue recognition:

	Consultation Service		Prescription and Dispensing Service		Treatment Service		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
A point in time	**–**	–	**17,015**	21,075	**–**	–	**17,015**	21,075
Over time	**1,875**	2,762	**–**	–	**32,559**	33,956	**34,434**	36,718
	1,875	2,762	**17,015**	21,075	**32,559**	33,956	**51,449**	57,793

(b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 March 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK$24,344,000. This amount represents revenue expected to be recognised in the future from contracts for Treatment Service entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the service is rendered, which is expected to occur over the next 12 to 36 months.

Segment Information

The Group's operating activities are attributable to a single operating segment focusing on Consultation Service, Prescription and Dispensing Service and Treatment Service. This operating segment has been identified on the basis of internal management reports prepared in accordance with the Group's accounting policies. Dr. Kong and Mr. Lo Kwok Bun (before his resignation as the Chief Executive Officer of the Company on 1 March 2018) 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.

Geographical information

The Group's operations are located in Hong Kong. All of the Group's revenue from external customers based on the location of the Group's operations is from Hong Kong.

The geographical locations of the Group's non-current assets are mostly situated in Hong Kong based on physical location of assets.

Information about major customers

During each of the years ended 31 March 2019 and 2018, there was no revenue from any customer who individually contributing over 10% of the total revenue of the Group.

5. (LOSS)PROFIT BEFORE TAX

	2019	2018
	HK$'000	*HK$'000*
(Loss)profit before tax has been arrived at after charging (crediting):		
Auditors' remuneration	**387**	626
Cost of inventories recognised as an expense	**7,706**	7,862
Allowance for inventories	**120**	58
Operating lease charge: minimum lease payments	**7,149**	6,937
Rental income less direct outgoing	**(616)**	(974)
Impairment loss in respect of property, plant and equipment	**783**	–
Impairment loss in respect of investment property	**783**	–
Staff costs		
Directors' emoluments	**10,533**	10,715
Other staff costs		
– salaries, allowance and other benefits	**14,750**	16,134
– share-based payments	**132**	419
– contributions to retirement benefits schemes	**504**	491
	25,919	27,759
Depreciation		
– property, plant and equipment	**4,268**	4,176
– investment property	**324**	–
	4,592	4,176

6. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Income tax expense comprises of:		
Hong Kong Profits Tax		
Current year	**258**	1,280
Under provision in prior years	**34**	16
	292	1,296
Deferred tax credit	**(115)**	(55)
	177	1,241

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 which introduced the two-tiered profit tax rates regime ("**Tax Regime**"). The Bill was gazetted on 29 March 2018.

Under the two tiered profits tax rates regime, the first HK$2.0 million of profits of qualifying entity will be taxed at 8.25%, and profits above HK$2.0 million will be taxed at 16.5%. For the year ended 31 March 2019, Hong Kong Profits Tax of the qualified entity is calculated in accordance with the two-tiered profits tax rates regime. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. For the year ended 31 March 2018, Hong Kong Profit Tax was calculated at the flat rate of 16.5%.

7. DIVIDENDS

On 5 December 2017, the Board of Directors (the "**Board**") resolved to declare the payment of a special dividend of HK5 cents per share of the Company (the "**Share**"), amounting to HK$24,020,000 and which was distributed by the Company (the "**Shareholders**") to the shareholders of the Company during the year ended 31 March 2018.

A final dividend in respect of the year ended 31 March 2017 of HK0.2 cent per Share, amounting to HK$961,000, was approved by the Shareholders in the annual general meeting and distributed by the Company to the Shareholders during the year ended 31 March 2018.

A final dividend in respect of the year ended 31 March 2018 of HK0.15 cent per Share, amounting to HK$721,000, was approved by the Shareholders in the annual general meeting of the Company and distributed by the Company to the Shareholders during the year ended 31 March 2019.

On 21 June 2019, the Board declared the payment of a special dividend of HK4 cents per Share (the "**Special Dividend**") to the Shareholders whose names appear on the register of members of the Company on Thursday, 11 July 2019. The Special Dividend will be posted on or around Friday, 26 July 2019 by ordinary mail to the Shareholders.

8. (LOSS)EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per Share attributable to the owners of the Company is based on the following data:

	2019	2018
	HK$'000	*HK$'000*
(Loss) profit for the purpose of calculating basic and diluted (loss) earnings per Share ((loss) profit for the year attributable to owners of the Company)	**(5,480)**	2,533
	'000	*'000*
Number of Shares:		
Weighted average number of ordinary Shares for the purpose of calculating basic (loss) earnings per Share	**483,265**	480,400
Effect of diluting potential ordinary Shares:		
Share options issued by the Company	**–**	–
Weighted average number of ordinary Shares for the purpose of calculating diluted (loss) earnings per Share	**483,265**	480,400

In current year, the computation of diluted loss per Share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of shares for the year ended 31 March 2019.

In prior year, the computation of diluted earnings per Share did not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of Shares for the year ended 31 March 2018.

9. TRADE RECEIVABLES

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

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**590**	259
31–60 days	**94**	20
61–90 days	**15**	–
Total	**699**	279

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:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**499**	382
31–60 days	**–**	41
	499	423

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a medical skin care service provider in Hong Kong. Currently, the Group operates two "Medicskin" branded medical skin care centres, 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 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. These are achieved through the provision of Consultations Service, Prescription and Dispensing Service and Treatment Service.

For the year ended 31 March 2019, the revenue of the Group decreased by approximately HK$6.4 million, or 11.1%, to approximately HK$51.4 million, when compared to the year ended 31 March 2018. The revenue of Consultation Service, Prescription and Dispensing Service and Treatment Service amounted to approximately HK$1.9 million, HK$17.0 million and HK$32.5 million which accounted for approximately 3.7%, 33.1%, and 63.2% 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 decrease in revenue was primarily attributable to the decrease in the number of clients served by the Group and the number of visits by our clients due to increasing intensified competition in the industry. Approximately 75.0% of our clients were aged between 26 to 55, while approximately 90.0% of our clients were female. Most of the Treatment Service was performed by our doctors, with approximately 81.0% of the revenue from Treatment Service generated from treatments performed by our doctors.

The Group recorded a loss attributable to owners of the Company of approximately HK$5.5 million for the year ended 31 March 2019, as compared to a profit attributable to owners of the Company of approximately HK$2.5 million for the corresponding period of last year. The turn from profit position to loss was mainly attributable to the combined effect of the initial start-up expenses and additional costs (including endorsement fee) of approximately HK$4.4 million incurred by the Group during the current reporting period on the development of its new anti-aging centre ("**Ray Lui Centre**") located in Tsim Sha Tsui which only commenced formal operation in June 2018; a decline of approximately HK$6.4 million, or 11.1% of the revenue of the Group for the year ended 31 March 2019 as compared to the corresponding period of last year due to ongoing keen competition in the market; and impairment loss in respect of a disposal group classified as held for sale (i.e. Golden Dickson (HK) Limited ("**Golden Dickon**"), a property holding company and wholly-owned subsidiary of the Company, which held a property located in the Causeway Bay, details of which are set out in the announcements issued by the Company dated 29 January and 31 May 2019 (the "**Announcements**") and the circular of the Company dated 18 April 2019 (the "**Circular**")) of approximately HK$1.6 million recognised during the year ended 31 March 2019. Basic loss per Share for the period was HK1.13 cents as compared to basic earnings per Share of HK0.53 cent for the corresponding period of last year.

The new Ray Lui Centre in Tsim Sha Tsui, which provides quality and comprehensive medical aesthetic treatment that helps our clients to stay healthy and young, has commenced operation in June 2018. A series of marketing efforts across various social media platforms have been made during the year to raise market awareness of this new brand. A new skin care product line "Ray Lui by facematter" was established with four new skincare products launched, including youth recovery nourishing cream, serum, collagen face mask and firming eye mask. It is expected that more variety of skin care products will be launched in the market. Mr. Lui, a well-known television and movie actor in Hong Kong and China with healthy and positive image, as a strategic partner of the Group, will help the Group to promote the products and services of Ray Lui Centre and expand its business.

Meanwhile, MS Medicspa Centre, a beauty spa acquired by the Group during the year, had its grand opening in June 2018. It offers extensive range of professional services from medical treatments to relaxing facial massages and body treatments in a luxurious and relaxing environment. Causeway Bay is a prime location in Hong Kong Island with high pedestrian flow. The approximate size of the site is 1,600 sq ft. The expansion will also help boost the Group's market penetration in the long term.

OUTLOOK

The Group welcome the passage of the Private Healthcare Facilities Bill by the Legislative Council in November 2018. The new ordinance will further protect patient safety and consumer rights, it will also facilitate the sustainable development of the healthcare system through the introduction of licensing requirement for private healthcare facilities in Hong Kong. We believe that this new ordinance will ultimately bring higher level of confidence to customers. With a reputation for being a trustworthy, reliable and quality provider of medical skin care services, the Group will continue to enhances its professional expertise in the delivery of its services.

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.

It is expected that the Group will continue to face intense competition in the industry. Leveraging the support of the capital market, our own strengths, and customers' pursuance on physical appearance, the Group is cautiously confident about its development in the future. We will continue, using our 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 decreased by approximately HK$6.4 million, or 11.1%, from approximately HK$57.8 million for the year ended 31 March 2018 to approximately HK$51.4 million for the year ended 31 March 2019. The decrease was primarily attributable to the decrease in the number of clients served by the Group and the decrease in the number of visits by our clients due to increasingly intensified competition in the industry.

Other income, gains and losses

Net other income and gains decreased by approximately HK$0.8 million, or 66.7%, from approximately HK$1.2 million for the year ended 31 March 2018 to approximately HK$0.4 million for the year ended 31 March 2019. The decrease was primarily attributable to the increase in unrealised exchange loss arising from translation of bank deposits denominated in Renminbi of approximately HK$0.5 million.

Inventories used

The Group's cost of inventories used was approximately HK$7.7 million and HK$7.9 million for the years ended 31 March 2019 and 2018, respectively, representing 15.0% and 13.7% of the revenue for the respective years.

Staff costs

Staff costs decreased by approximately HK$1.9 million, or 6.8%, from approximately HK$27.8 million for the year ended 31 March 2018 to approximately HK$25.9 million for the year ended 31 March 2019. The decrease was primarily attributable to the (i) decrease in share-based payments; and (ii) decrease in performance related incentive payments paid to our doctors due to decline in revenue of the Group during the year.

Depreciation

Depreciation expenses remained stable at approximately HK$4.6 million and HK$4.2 million for the years ended 31 March 2019 and 2018, respectively.

Other expenses

Other expenses increased by approximately HK$6.8 million, or 43.6%, from approximately HK$15.6 million for the year ended 31 March 2018 to approximately HK$22.4 million for the year ended 31 March 2019. The increase was primarily attributable to the (i) initial start-up expenses and additional costs (including endorsement fee) of approximately HK$4.4 million incurred during the current year on the development of Ray Lui Centre located in Tsim Sha Tsui; and (ii) impairment loss in respect of Golden Dickson of approximately HK$1.6 million recognised during the year ended 31 March 2019.

Income tax expense

Income tax expense decreased by approximately HK$1.0 million, or 83.3%, from approximately HK$1.2 million for the year ended 31 March 2018 to approximately HK$0.2 million for the year ended 31 March 2019. The decrease was primarily attributable to the (i) decrease in assessable profit of a major operating subsidiary of the Company; and (ii) tax reduction under the Tax Regime.

Profit for the year

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company for the year ended 31 March 2019 of approximately HK$5.5 million, as compared to a profit attributable to owners of the Company of approximately HK$2.5 million for the corresponding period of last year.

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 2019 was approximately HK$55.1 million (2018: approximately HK$61.1 million). The Group generally financed its operation with internally generated cash flows. The Group had bank balances and cash of approximately HK$15.9 million as at 31 March 2019 (2018: approximately HK$18.7 million), with no external borrowing (2018: Nil). As at 31 March 2019, the Group had net current assets of approximately HK$46.2 million (2018: approximately HK$6.9 million).

Cash generated from operations for the year ended 31 March 2019 was approximately HK$5.4 million (2018: approximately HK$7.7 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.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended 31 March 2019, there was no significant investment held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in the Announcements and the Circular, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2019.

COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of its office premises and service centres. As at 31 March 2019, the Group's operating lease commitments amounted to approximately HK$21.5 million (2018: approximately HK$5.3 million).

As at 31 March 2019, the Group had capital commitments in respect of contribution to a subsidiary and acquisition of property, plant and equipment of approximately HK$0.2 million (2018: approximately HK$0.4 million) and Nil (2018: approximately HK$0.2 million), respectively.

CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2019, the Group pledged its bank balances of approximately HK$9.8 million to a bank for card settlement services provided to the Group.

As at 31 March 2018, the Group pledged leasehold land and building with carrying amount of approximately HK$47.6 million to a bank to secure general banking facilities granted and credit card settlement services provided to the Group and which was released during the year ended 31 March 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group employed a total of 43 full-time and 9 part-time employees (2018: 37 full-time and 6 part-time employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$25.9 million for the year ended 31 March 2019 (2018: approximately HK$27.8 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 the Shares.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 March 2019 ("**AGM**") will be held on Friday, 2 August 2019. A notice convening the meeting 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 2019 are set out in note 7.

At the Board meeting held today, the Board has resolved to declare a special cash dividend of HK4 cents per Share to the Shareholders whose names appear on the register of members of the Company on Thursday, 11 July 2019. The record date is Thursday, 11 July 2019. The Special Dividend will be posted on or around Friday, 26 July 2019 by ordinary mail to the Shareholders. The Special Dividend will be paid out of the share premium account of the Company (the "**Share Premium Account**") pursuant to the amended and restated articles of association of the Company (the "**Articles of Association**").

No dividend was proposed for the Shareholders in respect of the year ended 31 March 2019.

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 2019.

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

As a reward to the Shareholders, the Board considers it appropriate to distribute the Special Dividend for their continuing support. The payment of the Special Dividend out of the Share Premium Account does not involve any reduction in the authorised or issued share capital of the Company nor does it involve any reduction in the nominal value of the Shares or result in any change in the trading arrangements in respect of the Shares. After taking into consideration of the Group's existing cash balance and the expected cash flow requirements in near term, the Board considers that the Company has sufficient cash flow to pay the Special Dividend. The payment of the Special Dividend out of the Share Premium Account will not have any material adverse effect on the financial position of the Group. The Directors consider that the declaration and payment of the Special Dividend out of the Share Premium Account is in the interests of the Company and the Shareholders as a whole.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 30 July 2019 to Friday, 2 August 2019, both dates inclusive, during which 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 Monday, 29 July 2019.

For determining the entitlement to the Special Dividend, the register of members of the Company will be closed from Tuesday, 9 July 2019 to Thursday, 11 July 2019, both dates inclusive, during which no transfer of Shares will be registered. In order to qualify for the entitlement to the Special Dividend, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at the above address for registration not later than 4:30 p.m on Monday, 8 July 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2019, 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, save as disclosed below, the Board is satisfied that the Company had complied with and is not aware of any deviations from the CG Code during the year ended 31 March 2019.

In accordance with provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual and their respective responsibilities should be clearly defined in writing. Dr. Kong Kwok Leung ("**Dr. Kong**") is the chairman of the Board and the chief executive officer of the Company who is primarily responsible for providing leadership to the Board, overseeing the overall operation of the Group and leading and directing the Group's overall business and development strategies. Dr. Kong also chairs the Board and nomination committee (the "**Nomination Committee**") meetings and briefs the Board members and Nomination Committee members on the issues arising at the respective meetings to ensure that Directors receive adequate information in a timely manner which is accurate, clear, complete and reliable. He encourages all Directors to make full and active contribution to the Board's affairs and takes the lead to ensure that it acts in the Company's best interest. He aims to ensure constructive relations between executive and non-executive Directors. Being aware of the said deviation from code provision A.2.1, the Board believes that with the support of the management, vesting the roles of both chairman of the Board and the chief executive officer of the Company in Dr. Kong, the founder of the Group, can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. In addition, the Board is also supervised by three independent non-executive Directors. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group as the Board assumes collective responsibility on the decision-making process of the Company's business strategies and operation. The Directors will meet regularly to consider major matters affecting the operations of the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry 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 2019.

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.

No share options were exercised, cancelled or lapsed during the year ended 31 March 2019 (2018: 1,600,000 share options amounting to HK$294,000 were lapsed). As at the date of this announcement, there were 4,000,000 outstanding share options in aggregate, of which 1,300,000 share options have vested and are issuable for 1,300,000 ordinary Shares under the Share Option Scheme.

EVENTS AFTER THE REPORTING PERIOD

On 29 January 2019, the Company entered into a provisional agreement for sale and purchase (the "**Provisional Agreement**") with an independent third party, pursuant to which the Company had agreed to sell the entire issued share capital in Golden Dickson and all such sum of money advanced by way of loan by the Company to Golden Dickson and due and owing by Golden Dickson to the Company for a consideration of HK$46 million. All the conditions precedent under the Provisional Agreement had been fulfilled and the completion took place on 31 May 2019.

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 consolidated financial statements of the Group for the year ended 31 March 2019 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. The Audit Committee has also reviewed the effectiveness of the internal control system of the Group.

SCOPE OF WORK OF MESSRS. MOORE STEPHENS CPA LIMITED

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 2019 as set out in the preliminary announcement have been agreed by the Company's auditor, Messrs. Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Moore Stephens CPA Limited 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. Moore Stephens CPA Limited 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 2019 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, 21 June 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 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.