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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Medicskin Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular appears for information only and does not constitute an invitation or offer to Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

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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)**

- (1) PROPOSED OFF-MARKET SHARE BUY-BACK**
- (2) CONNECTED TRANSACTION AND**
- (3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial Adviser to the Company****Independent Financial Adviser to the Independent Board Committee****Nuada Limited**

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Capitalised terms used in this cover page have the same meanings as defined in this circular.

A letter from the Board is set out on pages 4 to 16 of this circular. A letter of recommendation from the Independent Board Committee to the Disinterested Shareholders and a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Disinterested Shareholders regarding the Share Buy-back are set out on pages 17 to 18 and pages 19 to 41 of this circular respectively.

A notice convening the EGM to be held on Friday, 5 June 2020 at 9:00 a.m. at 20/F, OfficePlus@Sheung Wan, 93-103 Wing Lok Street, Sheung Wan, Hong Kong is set out on pages 59 to 60 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

8 May 2020

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## CHARACTERISTICS OF GEM

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**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities trade on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 19 March 2020 in relation to, among other things, the Share Buy-back Agreement and the Share Buy-back
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday) on which licensed banks in Hong Kong are generally open for business
“Buy-back Price”	the proposed buy-back price of HK\$0.125 per Buy-back Share
“Buy-back Shares”	80,000,000 Shares legally and beneficially owned by the Vendor and to be transferred to the Company for cancellation pursuant to the terms and conditions of the Share Buy-back Agreement
“Companies Law”	the Companies Law (as revised) of the Cayman Islands
“Company”	Medicskin Holdings Limited (密迪斯肌控股有限公司), a company incorporated in the Cayman Islands with limited liability and whose Shares are listed on GEM of the Stock Exchange (Stock Code: 8307)
“Completion”	completion of the Share Buy-back in accordance with the terms and conditions of the Share Buy-back Agreement
“Completion Date”	the date on which Completion takes place
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“COVID-19”	the coronavirus disease occurred since January 2020 which is an infectious disease caused by severe acute respiratory syndrome coronavirus
“Director(s)”	the director(s) of the Company
“Disinterested Shareholder(s)”	Shareholder(s) other than the Vendor, Homer International Investment Limited, Mr. Chu Yeong Kang Joseph Patrick and Shareholders who have a material interest in the Share Buy-back which is different from the interests of all other Shareholders

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## DEFINITIONS

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“EGM”	the extraordinary general meeting to be convened and held by the Company for the purpose of approving, among other things, the Share Buy-back Agreement and the transactions contemplated thereunder
“Executive”	the Executive Director of the Corporate Finance Division of the SFC, or any delegate of the Executive Director
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board established and comprising all the independent non-executive Directors, being Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung, to advise the Disinterested Shareholders in respect of the Share Buy-back Agreement and the Share Buy-back
“Independent Financial Adviser”	Nuada Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Disinterested Shareholders in respect of the Share Buy-back Agreement and the Share Buy-back
“Latest Practicable Date”	5 May 2020, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Relevant Period”	the period commencing on 19 September 2019 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of the Company

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## DEFINITIONS

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“Share Buy-back”	the proposed buy-back of the Buy-back Shares by the Company from the Vendor for cancellation
“Share Buy-back Agreement”	the sale and repurchase agreement dated 19 March 2020 between the Vendor and the Company in relation to the Share Buy-back
“Share Buy-backs Code”	the Hong Kong Code on Share Buy-backs
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“TWL”	Topline Worldwide Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling shareholder of the Company, which is wholly and beneficially owned by Dr. Kong Kwok Leung, our Chairman and executive Director
“Vendor” or “Rich Unicorn”	Rich Unicorn Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Fullshare Holdings Limited whose issued shares are listed on the Stock Exchange (stock code: 607)
“%”	per cent.

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Dr. Kong Kwok Leung  
Ms. Tsui Kan  
Ms. Kong Chung Wai  
Ms. Sin Chui Pik Christine

*Registered Office:*

P.O. Box 309  
Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands

*Independent Non-executive Directors:*

Mr. Chan Cheong Tat  
Mr. Lee Ka Lun  
Mr. Leung Siu Cheung

*Headquarters and Principal Place  
of Business in Hong Kong:*

Flat A – C, 16th Floor  
Champion Building  
287-291 Des Voeux Road Central,  
Hong Kong

8 May 2020

*To the Shareholders*

Dear Sir/Madam,

**(1) PROPOSED OFF-MARKET SHARE BUY-BACK  
AND  
(2) CONNECTED TRANSACTION**

**INTRODUCTION**

Reference is made to the Announcement in relation to, among other things, the Share Buy-back Agreement.

This circular is to provide you with, among other things, (i) details of the Share Buy-back Agreement and the Share Buy-back; (ii) a letter of recommendations from the Independent Board Committee to the Disinterested Shareholders in relation to the Share Buy-back Agreement and the Share Buy-back; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Disinterested Shareholders in relation to the Share Buy-back Agreement and the Share Buy-back; (iv) other information required pursuant to the Share Buy-backs Code and the GEM Listing Rules in relation to the Share Buy-back Agreement and the Share Buy-back; and (v) notice of the EGM.

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## LETTER FROM THE BOARD

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### SHARE BUY-BACK AGREEMENT

**Date:** 19 March 2020 (after trading hours)

**Parties:** (i) the Vendor as vendor  
(ii) the Company as purchaser

### Number of Buy-back Shares

80,000,000 Shares, representing approximately 16.47% of the issued share capital of the Company as at the Latest Practicable Date.

### Consideration

The total consideration for the Share Buy-back is HK\$10.0 million, equivalent to HK\$0.125 per Buy-back Share, and is payable in cash. The total Buy-back Price will be paid by the Company to the Vendor at Completion. The Buy-back Price was determined following arm's length commercial negotiations between the Vendor and the Company, taking into account, inter alia, the movements in the price of the Shares for the past two years and prevailing market conditions.

In determining the Consideration, we have noted that:

- (i) there were only two trades transacted on the date of the Share Buy-back Agreement and both were transacted at HK\$0.13 per Share, which was well above the closing price of HK\$0.11 per Share on that day; and
- (ii) during the ten consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement, transactions were only recorded on 5 trading days during that period. It was also further noted that during such period, the closing prices of the Shares were lower than the volume weighted average prices ("VWAPs"), which are calculated by adding up the dollars traded for every transaction (price multiplied by the number of shares traded) and dividing by the total shares traded on 4 out of the 5 days when the Shares were traded.

The Buy-back Price represents:

- (a) a discount of approximately 10.07% to the closing price of HK\$0.1390 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 13.64% to the closing price of HK\$0.1100 per Share as quoted on the Stock Exchange but a discount of approximately 3.85% to the VWAP of HK\$0.13 on the date of the Share Buy-back Agreement;
- (c) a premium of approximately 8.89% and 8.32% to the average closing price of approximately HK\$0.1148 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange and the VWAP of HK\$0.1154 for the five consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement;



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## LETTER FROM THE BOARD

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- (d) a premium of approximately 4.43% and 10.23% to the average closing price of approximately HK\$0.1197 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange and the VWAP of HK\$0.1134 for the ten consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement;
- (e) a discount of approximately 2.95% and 6.65% to the average closing price of approximately HK\$0.1288 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange and the VWAP of HK\$0.1339 for the 30 consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement;
- (f) a discount of approximately 19.35% and 15.60% to the average closing price of approximately HK\$0.1550 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange and the VWAP of HK\$0.1481 for the 90 consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement;
- (g) a discount of approximately 31.32% and 26.69% to the average closing price of approximately HK\$0.1820 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange and the VWAP of HK\$0.1705 for the 180 consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement; and
- (h) a premium of approximately 60.67% over the unaudited net asset value per Share attributable to Shareholders as at 31 December 2019 of approximately HK\$0.0778 per Share.

Despite the Buy-back Price represents a premium over the closing price on the date of the Share Buy-back Agreement and the average closing price for the five/ten consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement, the Directors are of the view that the short-term price performance is not representative of the Company's fundamental, especially as the general market sentiment has been temporarily dampened since the outbreak of the COVID-19 pandemic. In addition, the closing prices of the Shares were above the Buy-back Price in 270 days out of 290 days during the period from 1 March 2019 to 18 March 2020, being twelve full calendar months prior to the date of the Share Buy-back Agreement, and further up to the Latest Practicable Date. Moreover, the average daily trading volume was exceptionally low at approximately 20,000 Shares, 174,400 Shares and 106,400 Shares respectively on the date of the Share Buy-back Agreement and for the five/ten consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement. As mentioned above, the impact of the COVID-19 pandemic had temporarily suppressed the Share's performance and trading volume, especially during the trading period immediately prior to the date of the Share Buy-back Agreement, we therefore consider that it is more meaning to compare the Share Buy-back Price with the average closing prices and VWAPs of the Shares for a longer period prior to the Share Buy-back Agreement.

On the other hand, the comparison of the Buy-back Price against the net asset value per Share was included as a reference only since the Buy-back Price was mainly determined by the movements in the price of the Shares for the past two years and prevailing market conditions.

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## LETTER FROM THE BOARD

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Hence, the Directors are of the view that, the recent Share price performance and the comparison of the Buy-back Price against the net asset value per Share do not represent the Company's fair value and should not be solely relied upon when considering the Buy-back Price and, therefore, it would be more meaningful to take the overall price performance of the Shares over a longer period of time into consideration.

With reference to the announcements published by the Company on 29 September 2016 and 25 October 2016 in relation to the subscription of 80,000,000 Shares by the Vendor, as subscriber, allotted and issued by the Company, the total consideration then was HK\$51,840,000, representing an original purchase cost to the Vendor for each Buy-back Share of HK\$0.648. The Buy-back Price represents a discount of approximately 80.7% to such subscription price per Share.

Therefore, taking into account (i) the movements in the price of the Shares for the past two years; (ii) the Buy-back Price is lower than the closing price of the Shares most of the time during the period from 1 March 2019 to 18 March 2020, being twelve full calendar months prior to the date of the Share Buy-back Agreement, and further up to the Latest Practicable Date; (iii) the thin trading volume of the Shares on the date of the Share Buy-back Agreement and for the five/ten consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement; and (iv) the significant downward pressure on the market price of the Shares that the Vendor may create if they dispose of the Buy-back Shares in the open market, the Directors (excluding the members of the Independent Board Committee, who will give their recommendation in the letter from the Independent Board Committee) are of the view that the Buy-back Price, which was determined following arm's length commercial negotiations between the Vendor and the Company, is fair and reasonable and is in the interest of the Company and the Shareholders.

### **Highest and lowest Share prices**

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.290 on 27 September 2019 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.108 on 27 April 2020.

### **Conditions to Completion**

Completion is conditional upon the satisfaction of the following conditions:

- (a) the Executive having granted and not having withdrawn or revoked the approval for the Share Buy-back and the condition(s) of such approval (if any) having been satisfied;
- (b) the passing of the resolutions at the EGM by at least three-fourth of the Disinterested Shareholders of the votes cast on a poll approving the Share Buy-back;
- (c) the Company having complied with the applicable provisions of the GEM Listing Rules, including those under Chapter 20, the disclosure requirements and the requirement to obtain Disinterested Shareholders' approval in relation to the Share Buy-back;
- (d) representations and warranties given by the Vendor and the Company under the Share Buy-back Agreement being true, correct and complete when made and remaining true, correct and complete and not misleading as at the Completion Date; and

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## LETTER FROM THE BOARD

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- (e) (where required) the obtaining of all necessary approvals and consents from any government or regulatory authority or any person and the completion of all necessary filings with any government or regulatory authority required for the entering into of the Share Buy-back Agreement and/or the performance of their obligations hereunder by the Vendor and the Company.

Apart from the Executive's consent and the Disinterested Shareholders' approval as set out in conditions (a), (b) and (c) above, the Directors are not aware of any other approvals or consents that are required to be obtained from or any filings that are required to be made with any government or regulatory authority or any person in connection with the Share Buy-back.

Except the condition set out in (d) above, none of the conditions above is capable of being waived by the Vendor or the Company. If the above conditions are not fulfilled or waived within four months from the date of the Share Buy-back Agreement i.e. 19 July 2020 (or such other date as the Vendor and the Company may from time to time agree in writing), none of the Vendor or Purchaser shall be obliged to proceed to Completion, and none of the parties shall have claim against each other save for any antecedent breaches.

### **Completion**

Completion will take place on the third Business Day (or such other date as agreed between Vendor and the Company) after fulfilment or waiver of the conditions under the Share Buy-back Agreement.

Immediately upon Completion, the Company shall cancel the Buy-back Shares and any rights attaching thereto shall cease with effect from Completion.

There was no declared but unpaid dividend in respect of the Shares as at the Latest Practicable Date. If the Board declares any dividend subsequent to the Latest Practicable Date and the Vendor remains as the beneficial owner of the Buy-back Shares on the dividend record date, the Vendor will be entitled to receive such dividend. As at the Latest Practicable Date, the Board had no plan to declare any dividend.

### **FUNDING OF THE SHARE BUY-BACK**

The Company will fund the Share Buy-back from the Company's share premium account. Under the Companies Law, any buy-back of Shares by the Company may only be funded out of the Company's profits, a fresh issue of Shares made for the purpose, the Company's share premium account, or if so authorised by its articles of association and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be bought-back must be provided for out of profits of the Company or out of the Company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. As at 31 March 2020, the Group had unaudited cash and bank balances and pledged bank deposits of approximately HK\$42.9 million and HK\$9.6 million, respectively, and unaudited net current assets of approximately HK\$16.3 million. As a result, the Company considers that it will have sufficient funding for settling its short-term debts or equivalent when they fall due upon Completion, and the Company has sufficient surplus funds not currently required in its normal operations, which will be paid out of its share premium account, to effect the Share Buy-back.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE SHARE BUY-BACK

The Company was approached by the Vendor, who revealed the intention to dispose its Shares. After thorough consideration, the Board came to a conclusion that the best way to minimise the downward pressure on the Share price in relation to such a substantial disposal comparing to the relatively thin trading volume of the Shares in the market is to proceed with an off-market share buy-back, to which the Vendor also agreed. After arm's length negotiations, the Buy-back Price was fixed at HK\$0.125, representing a discount of approximately 2.95% to the average closing price of approximately HK\$0.1288 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement. The Board (excluding the members of the Independent Board Committee, who will give their recommendation in the letter from the Independent Board Committee) considers the discount to be fair and reasonable and the Share Buy-back represents a good opportunity to enhance the balance sheet of the Company and make contribution to the financial data on a per-share basis, in particular after taking into account that the Vendor subscribed 80,000,000 Shares at HK\$0.648 per Share in 2016 and such amount of Shares are now expected to be repurchased by the Company at HK\$0.125 under the Share Buy-back.

In considering to proceed with the Share Buy-back, the Company has taken into consideration that:

- (i) any on-market disposal of Shares by the Vendor may create a market overhang exerting a downward pressure on the Share price whilst a private placement of Shares to any third parties, who might not share the same vision as the Company's management, would have a negative impact to the Company's future development;
- (ii) the Share Buy-back is a good opportunity for the Company to utilise its financial resources with aim to enhance its earnings per Share in the future;
- (iii) the Buy-back Price represents a substantial discount of approximately 80.7% to the price at which the Company placed the same amount of new Shares to the Vendor in 2016;
- (iv) the Buy-back Price also represents a discount of approximately 2.95% to the average closing price of approximately HK\$0.1288 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement;
- (v) the average daily trading volume of the Shares for the 12 months up to and including the date of the Share Buy-back Agreement was approximately 159,355 Shares per day, representing only approximately 0.03% of the issued Shares as at the date of the Share Buy-back Agreement. Given the thin trading volume in the Shares and the large volume of the Buy-back Shares, it is a good opportunity for the Company to buy back a significant block of Shares without affecting the normal trading of the Shares in terms of price and volume; and
- (vi) despite the recent market slowdown, upon Completion, the Company will still maintain a net cash level which is well sufficient to fund its operation.

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## LETTER FROM THE BOARD

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In view of the above, the Directors (excluding the members of the Independent Board Committee, who will give their recommendation in the letter from the Independent Board Committee) believe that the terms of the Share Buy-back are fair and reasonable and on normal commercial terms, and the Share Buy-back is in the interests of the Company and the Shareholders as a whole, although the Share Buy-back is not in the ordinary and usual course of business of the Group.

### EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion (assuming there are no changes in the shareholding of the Vendor and the issued share capital of the Company from the Latest Practicable Date up to Completion):

	As at the Latest Practicable Date		Immediately upon Completion	
	Number of Shares	Approximate %	Number of Shares	Approximate %
TWL	274,865,400	56.59	274,865,400	67.74
Rich Unicorn	80,000,000	16.47	—	—
Homer International Investment Limited (Note)	2,060,000	0.42	2,060,000	0.51
Mr. Chu Yeong Kang Joseph Patrick (Note)	100,000	0.02	100,000	0.02
Public Shareholders	<u>128,710,600</u>	<u>26.50</u>	<u>128,710,600</u>	<u>31.73</u>
<b>Total</b>	<b><u>485,736,000</u></b>	<b><u>100.00</u></b>	<b><u>405,736,000</u></b>	<b><u>100.00</u></b>

Note:

Homer International Investment Limited is wholly-owned by Mr. Chu Yeong Kang Joseph Patrick, who indirectly wholly-owns Odysseus Capital Asia Limited which is the financial adviser of the Company in relation to the Share Buy-back. Both Homer International Investment Limited and its shareholder are independent of the Vendor and any of its parent, subsidiaries, fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies.

It is the intention of the Company to continue to maintain the public float requirements of Rule 11.23(7) of the GEM Listing Rules regarding the Shares following completion of the Share Buy-back.

### FINANCIAL EFFECTS OF THE SHARE BUY-BACK

#### Net assets per Share attributable to the Shareholders

Assuming that the Completion had taken place on 30 September 2019 and the Buy-back Shares have been bought back in full and cancelled, the Group's unaudited net assets per Share attributable to the Shareholders (i.e. excluding non-controlling interests) as at 30 September 2019 would have decreased by approximately 14.43% from approximately HK\$0.0783 per Share to approximately HK\$0.0670 per Share.

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## LETTER FROM THE BOARD

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### Basic loss per Share

Assuming that the Share Buy-back had taken place on 1 April 2018 and the Buy-back Shares have been bought back in full and cancelled, the Group's basic loss per Share from continuing operations for the year ended 31 March 2019 would have increased by approximately 20.35% from approximately HK\$0.0113 per Share to approximately HK\$0.0136 per Share.

### Total liabilities

The consideration of the Share Buy-back will be settled in cash and as such the Share Buy-back will not have an impact on the liabilities of the Group.

### Working capital

As the consideration of the Share Buy-back will be settled in cash, there will be an impact on the working capital of the Group in the amount of the cash consideration. As at 31 March 2020, the Group had unaudited cash and bank balances and pledged bank deposits of approximately HK\$42.9 million and HK\$9.6 million, respectively, and unaudited net current assets of approximately HK\$16.3 million. Moreover, although the Group had current liabilities of approximately HK\$42.0 million as at 31 March 2020, such amount included unaudited contract liabilities of approximately HK\$31.5 million, being receipt in respect of prepaid treatment packages, which does not impose any negative impact on the Group's working capital position because the contract liabilities will be fully recognised as revenue in the consolidated statement of profit or loss when the service treatments are provided to customers or when the likelihood of the customers exercising the remaining rights becomes remote. The Directors expect that the unaudited contract liabilities of approximately HK\$31.5 million as at 31 March 2020 would be fully recognised as revenue of the Group within the next two years. As a result, the Company considers that it will have sufficient funding for settling its short-term debts or equivalent when they fall due upon Completion, and the cash payment for consideration will not have a material adverse effect on the working capital requirements of the Group.

Based on the above, the Company considers that the Share Buy-back will have no material adverse effect on the Group's net assets per Share, basic loss per Share, total liabilities or working capital.

### INFORMATION ON THE COMPANY

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 the prime locations in Hong Kong, which primarily focus on the treatment of skin diseases and problems and/or the improvement of appearance of clients.

As at the Latest Practicable Date, there were 485,736,000 Shares in issue. Save as a total of 4,000,000 share options (the "Options") to subscribe for an aggregate of 4,000,000 Shares were granted to several Directors and employees of the Group under the share option scheme adopted by the Shareholders on 3 December 2014, including 2,800,000 Options granted to five Directors, namely Ms. Kong Chung Wai (800,000 Options), Ms. Sin Chui Pik Christine (800,000 Options), Mr. Chan Cheong Tat (400,000 Options), Mr. Lee Ka Lun (400,000 Options) and Mr. Leung Siu Cheung (400,000 Options), and 1,200,000 Options

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## LETTER FROM THE BOARD

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granted to three employees of the Group, the Company did not have any outstanding derivatives, warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which were convertible or exchangeable into Shares or other types of equity interest as at the Latest Practicable Date.

The following table sets out the audited consolidated profit/loss of the Company before taxation and before excluding non-controlling interests and the audited profit/loss attributable to the Shareholders after taxation and after excluding non-controlling interests for the two years ended 31 March 2019 and the unaudited consolidated loss of the Company before taxation and before excluding non-controlling interests and the unaudited loss attributable to the Shareholders after taxation and after excluding non-controlling interests for the nine months ended 31 December 2019:

	For the year ended 31 March		For the nine months ended 31 December
	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(unaudited)
Profit/(loss) before taxation and before excluding non-controlling interests	3,528	(8,727)	(1,989)
Profit/(loss) attributable to the Shareholders after taxation and after excluding non-controlling interests	2,533	(5,480)	(906)

### INFORMATION ON THE VENDOR

The Vendor is a company incorporated in the British Virgin Islands with limited liability, whose principal business is investment holding. The entire issued share capital of the Vendor is beneficially owned by Fullshare Holdings Limited (“**Fullshare**”) whose issued shares are listed on the Stock Exchange (stock code: 607). The principal activities of the Fullshare and its subsidiaries are property development and investment, tourism, investment and financial services, provision of healthcare and education products and services and new energy business. The Vendor does not have any Board representative in the Company.

The Vendor subscribed for 80,000,000 new Shares at HK\$0.648 per Share in 2016. There is no outstanding obligation under such subscription.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there is no formal or informal relationship (past, present and contemplated; financial, business or otherwise) between (i) the Vendor and its concert parties on the one hand; and (ii) TWL and its concert parties on the other hand.

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## LETTER FROM THE BOARD

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### REGULATORY REQUIREMENTS

#### Share Buy-backs Code

The Share Buy-back constitutes an off-market share buy-back by the Company under the Share Buy-backs Code. The Company has made an application to the Executive for approval for the Share Buy-back pursuant to Rule 2 of the Share Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at a meeting to be held for such purposes.

As the approval of the Executive for the Share Buy-back is a condition under the Share Buy-back Agreement, the Company will not proceed to Completion unless the Executive has approved the Share Buy-back pursuant to Rule 2 of the Share Buy-backs Code. However, there is no assurance that such approval will be granted or that all the conditions under the Share Buy-back Agreement will be fulfilled.

#### Other arrangements

As at the Latest Practicable Date, other than the 16.47% interest in the total number of issued Shares owned by the Vendor (being the Buy-back Shares subject to the Share Buy-back contemplated under the Share Buy-back Agreement as disclosed in this circular), neither the Vendor nor any party acting in concert with it:

- (i) holds, owns, controls or directs any Shares, convertible securities, warrants, options or derivatives in respect of the Shares;
- (ii) has secured an irrevocable commitment to vote in favour of or against the Share Buy-back;
- (iii) has entered into any outstanding derivatives in respect of the securities in the Company;
- (iv) has any arrangement (whether by way of option, indemnity or otherwise) or contracts in relation to the Shares or shares of the Vendor which might be material to the Share Buy-back;
- (v) has any agreement or arrangement to which the Vendor or parties acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Share Buy-back; or
- (vi) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Save as disclosed in this circular, (i) there is no consideration, compensation or benefit in whatever form paid or to be paid by the Group to the Vendor or any party acting in concert with it in connection with the Share Buy-back; (ii) there is no understanding, arrangement, agreement or special deal between the Group on the one hand, and the Vendor and any party acting in concert with it on the other hand; and (iii) there is no understanding, arrangement or agreement or special deal between (1) any Shareholder; and (2) the Company, its subsidiaries or associated companies.



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## LETTER FROM THE BOARD

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### Takeovers Code

According to Rule 32 of the Takeovers Code, if a Shareholder's proportionate interest in the voting rights of the Company increases as a result of the Share Buy-back, such increase will be treated as an acquisition of voting rights. As at the Latest Practicable Date, TWL was interested in 274,865,000 Shares, representing approximately 56.59% of the issued share capital of the Company. Save as aforesaid, TWL is not interested in any existing holding of voting rights or rights over the Shares. Assuming there are no changes to the shareholding of TWL and the issued share capital of the Company from the Latest Practicable Date up to Completion, immediately upon Completion, the percentage shareholding of TWL will be increased to 67.74% of the reduced issued share capital of the Company as a result of the Share Buy-back. Given that TWL presently holds more than 50% of the voting rights of the Company, no obligation on the part of TWL to make a general offer for all the Shares not already owned or agreed to be acquired by TWL will arise as a result of the Share Buy-back.

The Share Buy-back will not result in any change of control, as defined under the Takeovers Code.

### GEM Listing Rules

Since the Vendor is a substantial shareholder and a connected person of the Company, the Share Buy-back contemplated under the Share Buy-back Agreement constitutes a connected transaction for the Company under the GEM Listing Rules and is therefore subject to the approval by the Disinterested Shareholders at the EGM.

### EGM

The register of members of the Company will be closed from Tuesday, 2 June 2020 to Friday, 5 June 2020 (both dates inclusive) for determining the entitlements to attend the EGM. No transfer of Shares will be registered during this period.

The EGM will be held to consider and, if thought fit, pass the resolution to approve, among other things, the Share Buy-back Agreement. Only the Disinterested Shareholders will be entitled to vote on the resolution to approve the Share Buy-back Agreement and the Share Buy-back at the EGM.

As at the Latest Practicable Date, (i) the Vendor held 80,000,000 Shares, representing approximately 16.47% of the issued share capital of the Company; (ii) Homer International Investment Limited, which held 2,060,000 Shares, representing approximately 0.42% of the issued share capital of the Company, is wholly-owned by Mr. Chu Yeong Kang Joseph Patrick, who indirectly wholly-owns Odysseus Capital Asia Limited which is the financial adviser of the Company in relation to the Share Buy-back; and (iii) Mr. Chu Yeong Kang Joseph Patrick held 100,000 Shares, representing 0.02% of the issued share capital of the Company. Save as aforesaid, neither the Vendor nor any parties acting in concert with it, nor Homer International Investment Limited nor Mr. Chu Yeong Kang Joseph Patrick was interested in any voting rights or rights over the Shares. Since the Vendor, Homer International Investment Limited and Mr. Chu Yeong Kang Joseph Patrick were materially interested in the Share Buy-back Agreement, they will abstain from voting at the EGM as required under the Share Buy-backs Code, the Takeovers Code and the GEM Listing Rules. Save as aforesaid, no other Shareholder is required to abstain from voting on the resolution(s) approving the Share Buy-back Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, none of the Directors has material interest in the Share Buy-back and hence no Director has abstained from voting on such Board meeting approving the Share Buy-back.

The form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish and in such event, the form appointing a proxy shall be deemed to be revoked.

### VOTING BY WAY OF POLL

All votes at the EGM will be taken by poll pursuant to Rule 2 of the Share Buy-backs Code.

### GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung, has been established to advise and give recommendation to the Disinterested Shareholders on the Share Buy-back Agreement. Nuada Limited has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Disinterested Shareholders thereon.

### RECOMMENDATION

On the basis of the information set out in this circular, the Directors (excluding the members of the Independent Board Committee, who will give their recommendation in the letter from the Independent Board Committee) consider that the Share Buy-back is in the interests of the Company and the Shareholders as a whole. Therefore, the Directors (excluding the members of the Independent Board Committee, who will give their recommendation in the letter from the Independent Board Committee) recommend the Disinterested Shareholders to vote in favour of the resolution as set out in the notice of the EGM.

Having taken into account the advice of the Independent Financial Adviser set out on pages 19 to 41 of this circular, the recommendation from the Independent Board Committee to the Disinterested Shareholders is set out in the Letter from the Independent Board Committee on pages 17 to 18 of this circular.

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 17 to 18 of this circular and the letter from the Independent Financial Adviser as set out on pages 19 to 41 of this circular which contain their recommendations to the Disinterested Shareholders regarding the Share Buy-back Agreement and the Share Buy-back. The Disinterested Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the relevant resolution to be proposed at the EGM.

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## LETTER FROM THE BOARD

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### PRECAUTIONARY MEASURES FOR THE EGM

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19 pandemic. In view of the recent development of the COVID-19 pandemic, and in order to better protect the safety and health of the attending Shareholders, staff and other stakeholders, the Company will implement the following preventive measures at the EGM:

- (i) compulsory body temperature check will be conducted for every person at the entrance of the venue of EGM. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the venue;
- (ii) every person is required to wear facial mask at the venue of the EGM;
- (iii) the Company will not serve refreshment at the EGM to avoid the coming into close contact amongst participants; and
- (iv) persons who are not Shareholders or their proxy will not be admitted into the EGM venue.

The Company wishes to remind the Shareholders and other participants who will attend the EGM in person to take personal precautions and abide by the requirements of precaution and control at the venue of the EGM. In the interest of all stakeholders' health and safety and consistent with recent guidelines for prevention and control of COVID-19, **the Company also reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights.** The Shareholders may choose to vote by filling in and submitting the relevant proxy form of the EGM, and appoint the chairman of the EGM as a proxy to vote on relevant resolution(s) as instructed in accordance with the relevant proxy form instead of attending the EGM in person.

The Company will closely monitor the development of the COVID-19 pandemic and any regulations or measures introduced or to be introduced by the Hong Kong Government in relation to COVID-19 pandemic. The Company will ensure that the EGM will be conducted in compliance with the regulations or measures of the Hong Kong Government and Shareholders will not be deprived of their right of voting on the resolutions to be proposed at the EGM. Further announcements will be made by the Company as soon as possible if there is any update to the preventive measures as mentioned above.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter from the Independent Board Committee setting out its recommendations to the Disinterested Shareholders in relation to the Share Buy-back Agreement.*



### MEDICSKIN HOLDINGS LIMITED

密迪斯肌控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8307)**

8 May 2020

*To the Disinterested Shareholders*

Dear Sir or Madam,

#### **(1) PROPOSED OFF-MARKET SHARE BUY-BACK AND (2) CONNECTED TRANSACTION**

We refer to the circular of the Company to the Shareholders dated 8 May 2020 (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise you as to whether, in our opinion, the Share Buy-back Agreement and the transactions contemplated thereunder are fair and reasonable as far as the Disinterested Shareholders are concerned and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, although the Share Buy-back is not in the ordinary and usual course of business of the Group. Nuada Limited has been appointed as the Independent Financial Adviser to advise us in this respect. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 19 to 41 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 4 to 16 of the Circular and the additional information set out in the appendices to the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the advice of the Independent Financial Adviser, we consider that the terms of the Share Buy-back Agreement are fair and reasonable as far as the Disinterested Shareholders are concerned and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, although the Share Buy-back is not in the ordinary and usual course of business of the Group. Accordingly, we recommend the Disinterested Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Share Buy-back Agreement and the Share Buy-back.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from Nuada Limited to the Independent Board Committee and the Disinterested Shareholders dated 8 May 2020 in relation to the Share Buy-back which has been prepared for the purpose of inclusion in this circular.*

# Nuada Limited

Unit 1606, 16/F  
OfficePlus @Sheung Wan  
93-103 Wing Lok Street  
Sheung Wan, Hong Kong

8 May 2020

*To: the Independent Board Committee and  
the Disinterested Shareholders of  
Medicskin Holdings Limited*

Dear Sirs,

### **(1) PROPOSED OFF-MARKET SHARE BUY-BACK AND (2) CONNECTED TRANSACTION**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Disinterested Shareholders in relation to the Share Buy-back, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) in the Company’s circular issued to the Shareholders on 8 May 2020 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 19 March 2020 (after trading hours), the Company entered into the Share Buy-back Agreement with the Vendor pursuant to which the Vendor has agreed to sell, and the Company has agreed to buy-back for cancellation, a total of 80,000,000 Shares at the total consideration of HK\$10.0 million, equivalent to HK\$0.125 per Buy-back Share.

The Share Buy-back Agreement is conditional upon, among others, (i) the Executive giving his consent to the Share Buy-back; and (ii) the Disinterested Shareholders approving the Share Buy-back at the EGM. Completion will take place on the third Business Day (or such other date as agreed between the Vendor and the Company) after fulfilment of the conditions precedent under the Share Buy-back Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### REGULATORY REQUIREMENTS

#### Share Buy-backs Code

The Share Buy-back constitutes an off-market share buy-back by the Company under the Share Buy-backs Code. The Company has made an application to the Executive for approval for the Share Buy-back pursuant to Rule 2 of the Share Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at a meeting to be held for such purposes.

As the approval of the Executive for the Share Buy-back is a condition under the Share Buy-back Agreement, the Company will not proceed to Completion unless the Executive has approved the Share Buy-back pursuant to Rule 2 of the Share Buy-backs Code. However, there is no assurance that such approval will be granted or that all the conditions under the Share Buy-back Agreement will be fulfilled or waived, as the case may be.

#### GEM Listing Rules

Since the Vendor is a substantial shareholder and a connected person of the Company, the Share Buy-back contemplated under the Share Buy-back Agreement constitutes a connected transaction for the Company under the GEM Listing Rules and is therefore subject to the approval by the Disinterested Shareholders at the EGM.

The Independent Board Committee, comprising all of the three independent non-executive Directors, has been established to advise and give recommendations to the Disinterested Shareholders on the Share Buy-back Agreement. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Share Buy-back Agreement.

We, Nuada Limited, have been appointed by the Company as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Disinterested Shareholders as to whether the terms of the Share Buy-back Agreement are fair and reasonable and the Share Buy-back, as far as the Disinterested Shareholders are concerned, is in the interests of the Company and the Shareholders as a whole; and to give independent advice to Independent Board Committee and Disinterest Shareholders as to whether the Disinterested Shareholder should vote in favour of the Share Buy-back Agreement.

As at the Latest Practicable Date, we are not associated or connected with the Company or the Vendor, their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser, there were no other engagements between Nuada Limited and the Group or the Vendor. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Vendor, their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the Share Buy-back.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Disinterested Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in this circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information and representations provided by the Directors and the Management, for which they are solely responsible, are true and accurate in all material respects at the time when they were provided and continue to be so as at the Latest Practicable Date and the Disinterested Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible in accordance with the Takeovers Code. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in this circular, or the reasonableness of the opinions expressed by the Company, the Vendor, their respective advisers, the Directors, which have been provided to us.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in this circular and have confirmed in this circular, having made all reasonable inquiries, that to the best of their knowledge, opinion expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

Our review and analysis were based upon, among other things, the information provided by the Company including the Share Buy-back Agreement, the Announcement, this circular and certain published information from the public domain including trading performance of the Shares on the Stock Exchange, information set out in this circular and the annual report of the Company for the year ended 31 March 2019, the interim report of the Company for the six months ended 30 September 2019 and the third quarterly report of the Company for the nine months ended 31 December 2019.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have sought and received confirmation from the Management that no material facts have been omitted from the information supplied and opinions express to us and we are not aware of any information provided by the Management that should not be relied on. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and Management. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation in respect of the Share Buy-back, we have taken into consideration the following principal factors and reasons:

#### 1. Background information on the Group and the Vendor

##### (a) *Background of the Group*

The Company, incorporated in the Cayman Islands with limited liability, was listed on the GEM of the Stock Exchange in 2014. The Group is a medical skin care service provider in Hong Kong. According to the Letter from the Board and the Management, currently, the Group operates two “Medicskin” branded medical skin care centres, one anti-aging centre and one beauty spa, at the prime locations in Hong Kong, which 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 nevi, and hair removal. These are achieved through the provision of consultations services, prescription and dispensing of medication and/or skincare products including sale of skin care products and the provision of medical skin care treatments.

##### (b) *Financial information of the Group*

Details of the financial information of the Group are set out in Appendix I to this circular. We have reviewed such financial information and other financial reports of the Company and discussed with the Management on the financial information of the Group. Summary of the Group’s historical financial information are set out below.

##### (i) *Financial performance*

Set out below is a summary of the unaudited consolidated financial results of the Group for the two nine months ended 31 December 2019 (“**9M2019**”) and 31 December 2018 (“**9M2018**”) respectively and the audited consolidated financial results of the Group for the two financial years ended 31 March 2019 (“**FY2019**”) and 31 March 2018 (“**FY2018**”)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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respectively as extracted from the third quarterly report of the Company for 9M2019 (the “**2019Q3 Report**”) and the annual report of the Company for FY2019 (the “**Annual Report**”) respectively.

	<b>For the nine months ended 31 December</b>		<b>For the year ended 31 March</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	38,562	38,591	51,449	57,793
(Loss)/profit attributable to owners of the Company	(906)	(3,065)	(5,480)	2,533

### Financial performance for FY2019

As set out in the Annual Report, revenue of the Group decreased from approximately HK\$57.8 million for FY2018 to approximately HK\$51.4 million for FY2019, representing a decrease of approximately 11.1%. As stated in the Annual Report and according to the Management, 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 its clients due to increasingly intensified competition in the industry.

The Group recorded a loss attributable to owners of the Company of approximately HK\$5.5 million for FY2019 as compared with a profit attributable to owners of the Company of approximately HK\$2.5 million for FY2018. As stated in the Annual Report and according to the Management, such change was mainly attributable to the combined effect of (i) the initial start-up expenses and additional costs (including endorsement fee) of approximately HK\$4.4 million incurred by the Group during FY2019 on the development of an anti-aging centre with the brand “Ray Lui’s Anti-aging & Health Management Centre” (“**Ray Lui Centre**”), which only commenced formal operation in June 2018; (ii) a decline of approximately HK\$6.4 million or 11.1% of the revenue of the Group for FY2019 as detailed above; and (iii) impairment loss of approximately HK\$1.6 million in respect of the disposal of a subsidiary of the Company (i.e. Golden Dickson (HK) Limited, details of which are set out in the announcements of the Company dated 29 January 2019 and 31 May 2019 respectively and the circular of the Company dated 18 April 2019) recognised during FY2019.

### Financial performance for 9M2019

As set out in the 2019Q3 Report, revenue of the Group remained stable at approximately HK\$38.6 million for 9M2019 as compared with that of approximately HK\$38.6 million for 9M2018.

The Group recorded a loss attributable to owners of the Company of approximately HK\$0.9 million for 9M2019 as compared with that of approximately HK\$3.1 million for 9M2018, representing a decrease in approximately 71.0%. As stated in the 2019Q3 Report and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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according to the Management, the loss for 9M2018 was mainly attributable to the effect of the initial start-up expenses and additional costs of approximately HK\$4.4 million incurred by the Group during 9M2018 on the development of Ray Lui Centre, which only commenced formal operation in June 2018.

(ii) *Financial position*

Set out below is a summary of the unaudited consolidated financial position of the Group as at 30 September 2019 and the audited consolidated financial position of the Group as at 31 March 2019 and 31 March 2018 as extracted respectively from the interim report of the Company for the six months ended 30 September 2019 (the “**Interim Report**”) and the Annual Report.

	<b>As at 30 September 2019</b>	<b>As at 31 March</b>	
	<b>HK\$'000</b>	<b>2019</b>	<b>2018</b>
	(unaudited)	(audited)	(audited)
Non-current assets			
– Right-of-use assets	16,574	–	–
– Property, plant and equipment	6,484	6,248	52,616
– Rental deposits	2,701	3,003	1,650
– Deposits paid for purchase of property, plant and equipment	–	–	75
Current assets			
– Inventories	4,444	4,122	3,031
– Trade receivables	677	699	279
– Other receivable, deposits and prepayments	1,625	1,947	3,592
– Tax recoverable	881	951	–
– Pledged bank deposits	9,510	9,837	–
– Bank balances and cash	40,257	15,920	18,746
Assets classified as held for sale	–	45,586	–
Total tangible assets	66,579	88,313	79,989
Total assets	83,153	88,313	79,989
Net assets	34,341	55,089	61,088

The bank balances and cash of the Group increase from approximately HK\$15.9 million as at 31 March 2019 to approximately HK\$40.3 million as at 30 September 2019, representing an increase of approximately 153.5%, while the pledged bank deposits remained relatively stable at approximately HK\$9.5 million as at 30 September 2019 as compared with HK\$9.8

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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million as at 31 March 2019. According to the Management, such increase was mainly attributable to the proceed from disposal of 100% equity interest in Golden Dickson (HK) Limited of approximately HK\$40.2 million and slightly offset by the special dividend paid of approximately HK\$19.4 million during the six months ended 30 September 2019. The net assets of the Group decreased from approximately HK\$55.1 million as at 31 March 2019 to approximately HK\$34.3 million as at 30 September 2019, representing a decrease of approximately 37.7%. According to the Management, such decrease was mainly due to the aforementioned special dividend paid of approximately HK\$19.4 million. In addition, we note that the Group had tangible assets of approximately HK\$66.6 million as at 30 September 2019 (after excluding the right-of-use assets of approximately HK\$16.6 million as at 30 September 2019), representing approximately 80.0% of the total assets of the Group as at 30 September 2019.

(c) *Prospect of the medical skin care in Hong Kong*

According to the Letter from the Board, the Annual Report and the Management, the Group is a medical skin care service provider and regulated under the “Private Healthcare Facilities Ordinance” imposed by the Department of Health of The Government of the Hong Kong Special Administrative Region (the “**HKG**”) 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. Therefore, this new ordinance may bring higher level of confidence to customers and is conducive for the industry. 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 nevi, and hair removal. These are achieved through the provision of consultations services, prescription and dispensing of medication and/or skincare products including sale of skin care products and the provision of medical skin care treatments. According to the Annual Report and the Management, since the revenue of dispensing of medication and/or skincare products including sale of skin care products and the provision of medical skin care treatments amounted to approximately HK\$17.0 million and HK\$32.5 million which accounted for approximately 33.1% and 63.2% of the total revenue of the Group respectively for FY2019, we examine the industry overview regarding the aforesaid two areas in the market in Hong Kong.

In order to understand the industry, we conduct market search regarding the aforesaid two areas through internet. According to the website of the Census and Statistics Department of HKG (the “**CS Department**”), there is no official information directly related to the aforesaid two areas. Instead, according to the publication named “2014/15 Household Expenditure Survey and the Rebasing of the Consumer Price Indices” issued by CS Department in April 2016 (the “**Survey**”), we note that there is statistical information regarding average monthly household expenditure by commodity and services in Hong Kong that include two items named (i) cosmetics and personal care products and (ii) beauty treatment and fitness services. Although the Surveys are conducted once every 5 years where the latest information is 2015 and the items are close to but not identical to the Company’s two income segments as stated above, they can serve as general reference information

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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regarding the trend of household expenditure similar to those two area. The table below set out the average monthly household expenditure in (i) cosmetics and personal care products and (ii) beauty treatment and fitness services:

	2000	2005	2010	2015
	HK\$	HK\$	HK\$	HK\$
Products/Services				
Cosmetics and personal care products	195	225	233	268
Beauty treatment and fitness services	(No such information)	93	75	92

Source: CS Department

As stated in the table above, we noted that the average monthly household expenditure in cosmetics and personal care products is in an increasing trend from HK\$195 in 2000 to HK\$268 in 2015, while the average monthly household expenditure in beauty treatment and fitness services experienced downward trend from HK\$93 in 2005 to HK\$75 in 2010, but recovered to HK\$92 in 2015. Nevertheless, it should be noted that the expenditure figures as stated above were denominated in nominal value and we do not have sufficient information to derive the expenditure in real terms (i.e. taking into account the effect of inflation during relevant years). Although the Surveys are conducted once every 5 years where the latest information is 2015, the items are close to but not identical to the Company's two income segments and the expenditure figures as stated above were denominated in nominal value as stated above, we are of the view that the above statistical information can serve as an additional information for Shareholders' consideration.

In addition, since almost 90% of the Company's clients are female with approximately 75% of them were aged between 26 to 55 according to the Annual Report, we also study the population structure of Hong Kong in the recent years. According to the information from the website of the CS Department, the number of female population in the age group of 25 to 54 (which is the closest age group classification to 26 to 55 on the website of CS Department) decreased slightly from approximately 1.98 million by the end of 2015 to approximately 1.96 million by the end of 2019. Therefore, the potential market size for the Group's products and services in Hong Kong should remain stable in the near future.

**(d) The Vendor and the Buy back Shares**

The Vendor is a company incorporated in the British Virgin Islands with limited liability, whose principal business is investment holding. The entire issued share capital of the Vendor is beneficially owned by Fullshare Holdings Limited ("Fullshare") whose issued shares are listed on the Stock Exchange (stock code: 607). The principal activities of Fullshare and its subsidiaries are property development and investment, tourism, investment and financial services, provision of healthcare and education products and services and new energy business. The Vendor does not have any Board representative in the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there is no formal or informal relationship (past, present and contemplated; financial, business or otherwise) between (i) the Vendor and its concert parties on the one hand and (ii) TWL (a controlling shareholder of the Company, which is wholly and beneficially owned by Dr. Kong Kwok Leung, the Chairman of the Company and executive Director) and its concert parties on the other hand.

The Vendor subscribed for the Buy-back Shares in 2016. According to the Letter from the Board and the Management, there is no outstanding obligation under such subscription. With reference to the announcements published by the Company on 29 September 2016 and 25 October 2016 in relation to aforesaid subscription by the Vendor, as subscriber, allotted and issued by the Company, the total consideration then was HK\$51,840,000, representing an original purchase cost to the Vendor for each Buy-back Share of HK\$0.648. The Buy-back Price represents a discount of approximately 80.7% to such subscription price per Share.

### **2. Principal terms of the Share Buy-back Agreement**

On 19 March 2020 (after trading hours), the Company entered into the Share Buy-back Agreement with the Vendor pursuant to which the Vendor has agreed to sell, and the Company has agreed to buy-back for cancellation, a total of 80,000,000 Shares at the total consideration of HK\$10.0 million, equivalent to HK\$0.125 per Buy-back Share.

As stated in the Letter from the Board, completion is conditional upon the satisfaction of the following conditions:

- (a) the Executive having granted and not having withdrawn or revoked the approval for the Share Buy-back and the condition(s) of such approval (if any) having been satisfied;
- (b) the passing of the resolutions at the EGM by at least three-fourths of the Disinterested Shareholders of the votes cast on a poll approving the Share Buy-back;
- (c) the Company having complied with the applicable provisions of the GEM Listing Rules, including those under Chapter 20, the disclosure requirements and the requirement to obtain Disinterested Shareholders' approval in relation to the Share Buy-back;
- (d) representations and warranties given by the Vendor and the Company under the Share Buy-back Agreement being true, correct and complete when made and remaining true, correct and complete and not misleading as at the Completion Date; and
- (e) (where required) the obtaining of all necessary approvals and consents from any government or regulatory authority or any person and the completion of all necessary filings with any government or regulatory authority required for the entering into of the Share Buy-back Agreement and/or the performance of their obligations hereunder by the Vendor and the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Apart from the Executive's consent and the Disinterested Shareholders' approval as set out in conditions (a), (b) and (c) above, the Directors are not aware of any other approvals or consents that are required to be obtained from or any filings that are required to be made with any government or regulatory authority or any person in connection with the Share Buy-back.

Except the condition set out in (d) above, none of the conditions above is capable of being waived by the Vendor or the Company. If the above conditions are not fulfilled or waived within four months from the date of the Share Buy-back Agreement i.e. 19 July 2020 (or such other date as the Vendor and the Company may from time to time agree in writing), none of the Vendor or Purchaser shall be obliged to proceed to Completion, and none of the parties shall have any claim against each other save for any antecedent breach.

We note that the aforesaid conditions (a), (b), and (c) under the Share Buy-back Agreement are the regulatory requirements under the Buy-back Code and the GEM Listing Rules, which is a fair and reasonable mechanism as the Disinterested Shareholders are provided with the right to approve or reject the Share Buy-back.

### **3. Reasons for and benefits of the Share Buy-back**

Please refer to the sub-section headed "Reasons for and Benefits of the Share Buy-back" in the Letter from the Board for the Company's reasons for and relevant benefits of the Share Buy-back.

According to the Letter from the Board and the Management, the number of the Buy-back Shares, i.e. 80,000,000 Shares, represents approximately 16.47% of the existing issued shares of the Company. In order to understand the securities investment policy or history of the Vendor or its holding company, i.e. Fullshare whose issued shares are listed on the Stock Exchange (Stock code: 0607), we have discussed the aforesaid with the Management. After discussion with the Management, we do not have any information regarding the disposal plan on how the Vendor will dispose of the Buy-back Shares in the open market or through private placement, and the timing, the number of Buy-back Shares they will dispose of on each trading days in the future and the relevant disposal price per Buy-back Shares, should the Share Buy-back not complete. Based on the above, we have reviewed the latest financial result of Fullshare and its announcements published recently to study its history of securities investment. According to the result announcement for the year ended 31 December 2019 published by Fullshare on 31 March 2020, we noted that the equity investment of Medicskin Holdings Limited is one of the portfolio of listed equity investments of Fullshare held for trading and Fullshare also invested in shares of three other listed companies in the Stock Exchange with total carrying amount of approximately RMB830 million. And it is the case since the subscription of Buy-back Shares in 2016 according to the annual reports of Fullshare for financial year 2016, 2017 and 2018 that the equity investments of Medicskin Holdings Limited is classified in similar categories. We have also studied the announcements published by Fullshare within a six months period prior to the date of the Share Buy-Back Agreement, and noted that Fullshare disposed of part of its equity investment in the open market and through private placement with aggregate considerations of approximately HK\$235.5 million and HK\$154.7 million respectively according to the two announcements published by Fullshare dated 23 September 2019 and 25 February 2020 respectively within the aforesaid period.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Although we do not have information regarding the disposal plan of the Vendor as stated above, we cannot rule out the possibility that the Vendor would dispose of the Shares in the open market or through private placement as the Buy-back Shares is one of the portfolio of listed equity investments of Fullshare held for trading as stated above and Fullshare has a history of disposal of its equity investments in the open market and through private placement as stated above.

Nevertheless, given (i) the number of the Buy-back Shares of 80,000,000 Shares which represents approximately 16.47% of the existing issued shares of the Company; and (ii) the average daily trading volume of the Shares on the Stock Exchange during the Review Period (as defined below) of approximately 140,372 Shares, which represents approximately 0.03% and 0.11% of the Company's existing total issued Shares and Shares held by the public Shareholders respectively, we are of the view that there would be a long term selling pressure on the Shares in the near future (Please refer to the sub-section headed "5. Trading volume of the Shares" below for detailed information). We consider that the aforesaid situation is not in the best interests of the Company and the Disinterest Shareholders and the Share Buy-back can release the aforesaid long term selling pressure on the Shares upon Completion. In addition, as Fullshare has a history of disposal of its equity investments in the open market and through private placement as stated above, we are of the view that if the Vendor decides to do so to any third parties who might not share the same vision as the Management, it would have a negative impact to the Company's future business management.

Taking into account that (i) the Share Buy-back can release the aforesaid long term selling pressure on the Shares upon Completion as stated above; (ii) the Share Buy-back Price is lower than the closing price of the Shares during most of the time within the Review Period (as defined below) as stated in sub-section headed "4(a) Historical Share price performance" below in this letter; (iii) it would have a negative impact to the Company's future business management if the Vendor disposes of the Buy-back Shares to any third parties who do not share the same vision as the Management; (iv) as detailed in the sub-section headed "5. Trading volume of the Shares" below, given the relatively low trading volume of the Shares in the past, it would be difficult to otherwise dispose of the Buy-back Shares in the open market by the Vendor without causing a significant downward pressure on the market price of the Shares, which would not be in the interests of the Company and its Shareholders as a whole; and (v) as detailed in the sub-section headed "7. Financial effects of the Share Buy-back" below, the Share Buy-back would not have any material adverse effect to the financial position of the Company, we are of the view that the terms of the Share Buy-back Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **4. Analysis of the Buy-back Price**

As stated in the Letter from the Board in the Circular, the total consideration for the Share Buy-back is HK\$10.0 million, equivalent to HK\$0.125 per Buy-back Share, and is payable in cash and out of the Company share premium account. The total Buy-back Price will be paid by the Company to the Vendor at Completion. The Buy-back Price was determined following arm's length commercial negotiations between the Vendor and the Company, taking into account, inter alia, the movements in the price of the Shares for the past two years and prevailing market conditions.

As disclosed in the Letter from the Board, it is noted that



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (i) there were only two trades transacted on the date of the Share Buy-back Agreement and both were transacted at HK\$0.13 per Share, which was well above the closing price of HK\$0.11 per Share on that day; and
- (ii) during the ten consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement, transactions were only recorded on 5 trading days during that period. It was also further noted that during such period, the closing prices of the Shares were lower than the volume weighted average prices (“VWAPS”, which are calculated by adding up the dollars traded for every transaction (price multiplied by the number of shares traded) and then dividing by the total shares traded) on 4 out of the 5 days when the Shares were traded.

As stated in the Letter from the Board, the Buy-back Price represents:

- (i) a discount of approximately 10.07% to the closing price of HK\$0.139 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 13.64% over the closing price of HK\$0.1100 per Share as quoted on the Stock Exchange but a discount of approximately 3.85% to the VWAP of HK\$0.13 on the date of the Share Buy-back Agreement;
- (iii) a premium of approximately 8.89% and 8.32% over the average closing price of approximately HK\$0.1148 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange and the VWAP of approximately HK\$0.1154 for the five consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement;
- (iv) a premium of approximately 4.43% and 10.23% over the average closing price of approximately HK\$0.1197 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange and the VWAP of approximately HK\$0.1134 for the ten consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement;
- (v) a discount of approximately 2.95% and 6.65% to the average closing price of approximately HK\$0.1288 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange and the VWAP of approximately HK\$0.1339 for the 30 consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement;
- (vi) a discount of approximately 19.35% and 15.60% to the average closing price of approximately HK\$0.1550 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange and the VWAP of approximately HK\$0.1481 for the 90 consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement;
- (vii) a discount of approximately 31.32% and 26.69% to the average closing price of approximately HK\$0.1820 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange and the VWAP of approximately HK\$0.1705 for the 180 consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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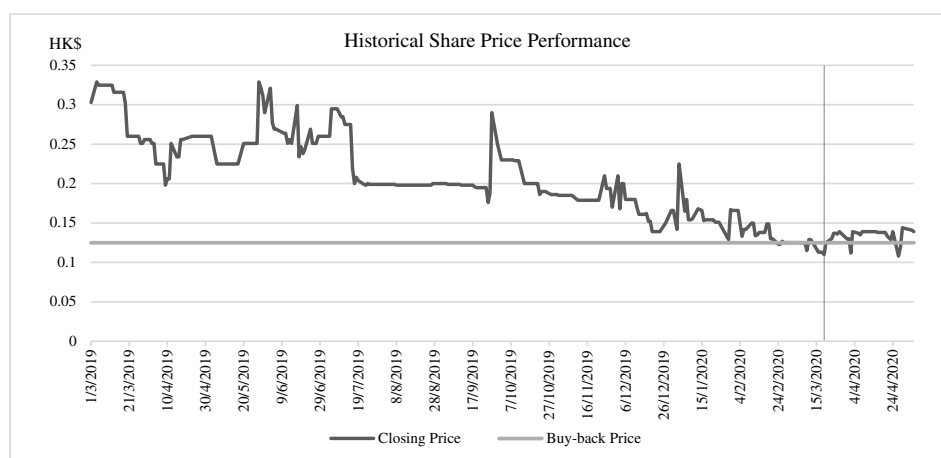
(viii) a premium of approximately 60.67% over the unaudited net asset value per Share attributable to Shareholders as at 31 December 2019 of approximately HK\$0.0778 per Share.

Please refer to the sub-section headed “Consideration” in the Letter from the Board for the Company’s detailed analysis of the Buy-back Price.

In order to assess the fairness of the Buy-back Price, we have studied (a) the historical Share price; and (b) relevant financial ratios.

**(a) Historical Share price performance**

We have reviewed the daily closing prices of the Shares for the period from 1 March 2019 to 18 March 2020, being twelve full calendar months prior to the date of the Share Buy-back Agreement (as indicated by the vertical line), and further up to the Latest Practicable Date (the “**Review Period**”). Set out below are the closing prices per Share during the Review Period as quoted from the website of the Stock Exchange:



Source: Website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

As shown in the graph above, we noted the closing price of the Shares declined from HK\$0.329 in early March 2019 to around HK\$0.2 in early April 2019 before bouncing back to HK\$0.329 again in late May 2019. The closing price of the Shares then dropped to a level around HK\$0.2 during mid July 2019 to late September 2019, and surged to HK\$0.29 on 27 September 2019. After the aforesaid surge, the closing price of the Shares followed a general downward trend up to the date of the Share Buy-back Agreement, then fluctuated around the Buy-back Price up to the Latest Practicable Date.

According to the information from the website of the Stock Exchange, we are not aware of any announcements issued by the Company relating to the abovementioned fluctuation of the price of the Shares. Therefore, we have enquired the Management regarding the abovementioned fluctuation of the price of the Shares and were advised that they are not aware of any particular reason that led to the aforesaid trend and/or fluctuation of the price of the Shares.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The closing price of the Shares was above the Buy-back Price most of the time for 270 out of 290 trading days during the Review Period, ranging from a lowest of HK\$0.108 (on 27 April 2020) to a highest of HK\$0.329 per Share (on 4 March 2019 and 28 May 2019) with an average of approximately HK\$0.200 per Share. Accordingly, the Buy-back Price represents (i) a premium of approximately 15.7% over the lowest closing price of HK\$0.108 per Share; (ii) a discount of approximately 62.0% to the highest closing price of HK\$0.329 per Share; and (iii) a discount of approximately 37.5% to the average closing price of approximately HK\$0.200 per Share during the Review Period.

Although the Buy-back Price represent premiums over the closing price of the Shares on the date of the Share Buy-back Agreement and the average closing price of the Shares based on the daily closing prices of the Shares for the five/ten consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement, counterbalanced by the fact that (i) the average daily trading volume was low at approximately 20,000 Shares, 174,400 Shares and 106,400 Shares respectively on the date of the Share Buy-back Agreement and for the five/ten consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement, as compared with the average daily trading volume of approximately 140,372 Shares during the Review Period. Therefore the average closing price for the relevant short period of time may not be representative of the value of the Shares; (ii) the Buy-back Price represents discount to the average closing price based on the daily closing prices of the Shares for the 30, 90 and 180 consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement, and is below the closing price of the Shares most of the time during the Review Period as stated above. The average daily trading volume for the 30, 90 and 180 consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement were approximately 540,133, 284,178 and 186,867 Shares, all of which are higher than the average daily trading volume of approximately 140,372 Shares during the Review Period. Accordingly, we are of the view that the Buy-back Price is fair and reasonable.

**(b) Stock value analysis**

In order to assess the fairness of the Buy-back Price, we also conduct stock value analysis. The most common methods to evaluate the value of a stock is price to earnings ratio (“**PE Ratio**”) and PB Ratio.

**(i) Price to earnings ratio**

The PE Ratio is the ratio for valuing a company that measures its current share price relative to its per-share earnings. As set out in the sub-section headed “1(b) Financial information of the Group” of this letter above, the Company was loss making in FY2019 and 9M2019 and the PE ratio is not appropriate in the context of valuation of the Company.

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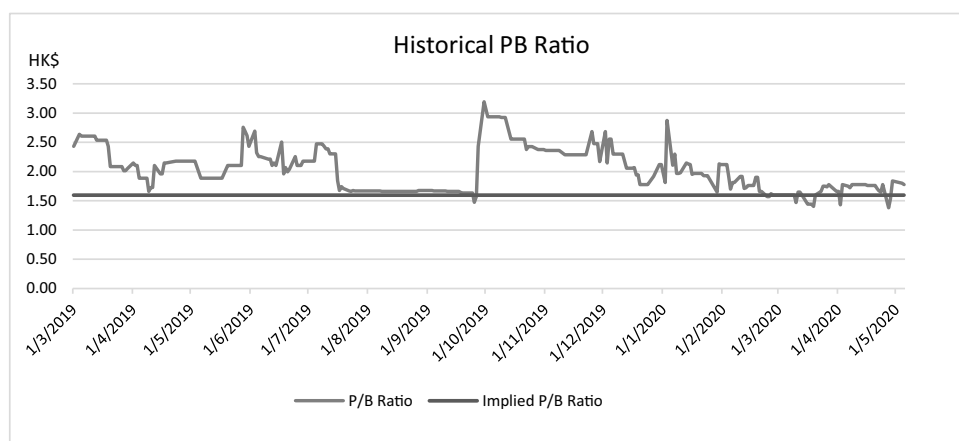
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(ii) *Price to book ratio*

PB ratio is to compare a firm's market capitalisation to its book value. It's calculated by dividing the company's stock price per share by its book value per share. The book value is the net assets of a company and in other words, if a company liquidated all of its assets and paid off all its debt, the value remaining would be the company's book value. As set out in the sub-section headed "1(b) Financial information of the Group" of this letter above, we understand that most of the Group's asset are tangible assets (approximately 80% to its total assets) as at 30 September 2019. Although the Company is a service provider and is not engaged in a capital intensive business, we are of the view that since (i) PE ratio is not appropriate in the context of valuation of the Company as stated above; and (ii) most of the Group's asset are tangible assets as stated above, PB ratio is appropriate in the context of valuation of the Group.

As the Buy-back Price of HK\$0.1250 represents a premium of approximately 59.6% to the unaudited net assets per Share attributable to the Shareholders (i.e. excluding non-controlling interests) per Share of approximately HK\$0.0783 as at 30 September 2019, or equivalent to a PB Ratio of approximately 1.60 times, we have analysed the historical PB Ratio represented by the closing price of the Shares plotted against the PB Ratio implied by the Buy-back Price of approximately 1.60 times (the "**Implied PB Ratio**") in the Review Period as follows:



Sources: Website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the financial reports of the Company

We noted that the PB Ratio fluctuated in a similar trend as the closing price of the Shares. The Implied PB Ratio of approximately 1.60 times is lower than the historical PB Ratio 268 out of 290 trading days during the Review Period, which ranges from a lowest of approximately 1.38 times (on 27 April 2019) to a highest of approximately 3.19 times (on 30 September 2019) with an average of approximately 2.02 times. Accordingly, the Implied PB Ratio is below the average and close to the lower end of historical PB Ratio during the Review Period.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### (c) *Comparable Analysis*

In assessing the fairness and reasonableness of terms of the Share Buy-back, we have considered to compare the PE Ratio and the PB Ratio of other companies listed in Hong Kong. At first, we set the following criteria for searching comparable companies where: (i) their principal business is similar to that of the Company as at the date of the Share Buy-back Agreement; (ii) at least 80% of assets in their latest condensed consolidated statement of financial position are tangible assets, which is similar to the level of tangible assets of the Group; (iii) their market capitalisation should not be higher/lower than that of the Company by more than 50%, i.e. within the range of approximately HK\$30.4 million and HK\$91.1 million based on the market capitalisation of the Company of approximately HK\$60.7 million as at the date of the Share Buy-back Agreement; and (iv) they were loss making in the latest financial year as the Company was loss making in the latest financial year (the “**Comparable Companies**”). However, based on the above selection criteria, we noted that there would only be one Comparable Company. To have a sample size of not less than 10, we remove criteria (iii) and (iv) and slightly released the criterion (ii) to set at 75%, and identified an exhaustive list of 11 Comparable Companies on the Stock Exchange based on our best effort.

Given the reasons as stated in sub-section headed “4(b) Stock value analysis” above, we have adopted the comparison PB Ratio for comparable analysis purpose. The relevant information of all the Comparable Companies are set out in the table below:

No.	Stock Code	Company name	Principal business	Closing price (HK\$) (Note 1)	Market Capitalisation (HK\$ million) (Note 1)	Net asset value per share (HK\$) (Note 2)	Loss making (Note 3)	PB Ratio (Note 4)
1.	157	Natural Beauty Bio-Technology Limited	Manufacture and sales of skin care, beauty and aroma therapeutic products, the provision of skin treatment, beauty and spa services, as well as the provision of beauty training	0.630	1,261.3	0.2792	No	2.26
2.	919	Modern Beauty Salon Holdings Limited	Beauty and Wellness Services segment is engaged in the provision of beauty and wellness services. Its services include beauty and facial services, slimming programs, spa and massage services and aesthetics services. Skincare and Wellness Products segment is engaged in the sales of skincare and wellness products.	0.106	95.9	0.2055	Yes	0.52
3.	1161	Water Oasis Group Limited	Operation of beauty centers, spas and medical beauty centers	0.810	551.2	0.4086	No	1.98
4.	1827	Miracor Enterprises Holdings Limited	Provision of a broad range of non-surgical medical aesthetic services	0.590	236.0	0.3905	No	1.51
5.	1830	Perfect Shape Medical Limited	Provision of slimming and beauty services and the sales of slimming and beauty products	1.730	1,931.6	0.5380	No	3.22
6.	2138	Union Medical Healthcare Limited	Provision of medical, quasi-medical and traditional beauty services and sale of skincare and beauty products	3.560	3,507.5	1.0651	No	3.34
7.	2700	Green International Holdings Limited	Provision of beauty and wellness services	0.170	250.5	0.1398	Yes	1.22

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Stock Code	Company name	Principal business	Closing price (HK\$) (Note 1)	Market Capitalisation (HK\$ million) (Note 1)	Net asset value per share (HK\$) (Note 2)	Loss making (Note 3)	PB Ratio (Note 4)
8.	8200	Sau San Tong Holdings Limited	Provision of beauty services and products	0.050	37.5	1.1425	Yes	0.04
9.	8357	Republic Healthcare Limited	Provision of consultation services, medical investigation services and treatment services	0.213	110.8	0.1361	Yes	1.56
10.	8437	RMH Holdings Limited	Operating of specialist dermatological and surgical clinic	0.510	306.0	0.1342	No	3.80
11.	8603	Fameglow Holdings Limited	Provision of medical aesthetic services	0.440	352.0	0.0830	Yes	5.30
						Mean		2.25
						Median		1.98
						Maximum		5.30
						Minimum		0.04
		Company	Provision of medical skin care service	0.125 (Note 5)	60.7	0.0783		1.60 (implied by the Buy-back Price)

*Notes:*

- The closing prices of the Comparable Companies are quoted from the Stock Exchange on the date of the Share Buy-back Agreement.
- The net asset values per share of the Comparable Companies and the Company are calculated by dividing the latest audited/unaudited net assets attributable to the shareholders (i.e. excluding non-controlling interests) of the respective Comparable Companies as disclosed in their latest annual/interim reports by the respective number of issued shares as at the date of the Share Buy-back Agreement.
- The profit/loss making positions of the Comparable Companies are based the latest annual reports of the respective Comparable Companies prior to the date of the Share Buy-back Agreement.
- The PB Ratios are calculated by dividing the closing prices by the net asset values per share for the respective Comparable Companies.
- This represents the Buy-back Price of HK\$0.125 under the Share Buy-back Agreement.
- In this comparable analysis, conversions of RMB, the official currency of the People's Republic of China, into HK\$ and S\$, the official currency of Singapore, into HK\$ are calculated at the approximate exchange rates of RMB1 to HK\$1.10 and S\$1 to HK\$5.39 respectively. These exchange rates are adopted for the purpose of illustration purposes only and do not constitute representations that any amounts have been, could have been, or may be, exchanged at these rates or any other rate at all.

*Source: Website of the Stock Exchange (www.hkex.com.hk)*

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Based on the table above, we note that 9 out of 11 Comparable Companies have trading prices representing premium over their net asset value per share (i.e. having a PB Ratio above 1). The PB ratios of all Comparable Companies ranged from approximately 0.04 times to 5.30 times, with a mean and median of approximately 2.25 times and 1.98 times respectively. Meanwhile, the Implied PB Ratio is approximately 1.60 times, which was below both the mean and median PB Ratio of the Comparable Companies.

However, given that 6 of the 11 Comparable Companies were profit making instead of loss making, which are different from that of the Company, we have also considered the case where only Comparable Companies in a loss-making position in the latest financial years are taken into account. In this case, the PB Ratios of the remaining 5 Comparable Companies (i.e. Comparable Company number 2, Comparable Company number 7, Comparable Company number 8, Comparable Company number 9 and Comparable Company number 11) ranged from approximately 0.04 times to 5.30 times, with a mean and median of approximately 1.73 times and 1.22 times respectively. The Implied PB Ratio of approximately 1.60 times was below the mean but above the median PB Ratios of these Comparable Companies.

Given the market capitalisation of the Comparable Company is different from that of the Company (all but one of the Comparable Companies have market capitalisation more than that of the Company, from approximately 58% to approximately 5,678%) and some of them are profit making according to their latest financial information, we are of the view that the above analysis cannot serve as a good indication but is a relevant information for Shareholders' consideration.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5. Trading volume of the Shares

The table below sets out the trading volume of the Shares on the Stock Exchange during the Review Period:

Month/Period	Total monthly trading volume	Average daily trading volume	Percentage of average daily trading volume to total number of issued Shares	Percentage of average daily trading volume to the total number of issued Shares held by public Shareholders
	<i>(Shares)</i>	<i>(Shares)</i>	<i>(%)</i>	<i>(%)</i>
<b>2019</b>				
March	1,492,000	71,048	0.01	0.06
April	2,240,000	117,895	0.02	0.09
May	688,000	32,762	0.01	0.03
June	1,668,000	87,789	0.02	0.07
July	7,420,000	337,273	0.07	0.26
August	128,000	5,818	0.001	0.005
September	348,000	16,571	0.003	0.01
October	152,000	7,238	0.001	0.01
November	612,000	29,143	0.01	0.02
December	5,284,000	264,200	0.05	0.21
<b>2020</b>				
January	3,268,000	163,400	0.03	0.13
February	15,360,000	768,000	0.16	0.60
March	1,200,000	54,545	0.01	0.04
April	832,000	43,789	0.01	0.03
May (up to and including the Latest Practicable Date)	16,000	8,000	0.002	0.01
<b>Review Period</b>	<b>40,708,000</b>	<b>140,372</b>	<b>0.03</b>	<b>0.11</b>

Source: Website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Note: Based on the total number of the Shares in issue by public Shareholders, i.e. excluding the Shares held by TWL, the Vendor, Homer International Investment Limited and Mr. Chu Yeong Kang Joseph Patrick.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As depicted above, during the Review Period, the average daily trading volume for a month/period represents approximately 0.005% to 0.60% of the total number of Shares in issue held by public Shareholders. The average daily trading volume of the Shares on the Stock Exchange during the Review Period was approximately 140,372 Shares, representing approximately 0.03% and 0.11% of the Company's existing total issued Shares and Shares held by the public Shareholders respectively.

As an illustration, assuming the Buy-back Shares were to be completely disposed of in the open market by the Vendor and using the above average daily trading volume during the Review Period as reference, it would theoretically require a period of approximately 570 trading days to complete the transaction. After discussion with the Management, we do not have any information regarding the disposal plan on how the Vendor will dispose of the Buy-back Shares in the open market or through private placement, and the timing, the number of Buy-back Shares they will dispose of on each trading days in the future and the relevant disposal price per Buy-back Shares, should the Share Buy-back not complete. Nevertheless, given (i) the number of the Buy-back Shares of 80,000,000 Shares which represents approximately 16.67% of the existing issued shares of the Company; and (ii) the average daily trading volume of the Shares on the Stock Exchange during the Review Period of approximately 140,372 Shares, which represents approximately 0.03% and 0.11% of the Company's existing total issued Shares and Shares held by the public Shareholders respectively, we are of the view that there would be a long term selling pressure on the Shares in the near future. We consider that the aforesaid situation is not in the best interests of the Company and the Disinterest Shareholders and the Share Buy-back can release the aforesaid long term selling pressure on the Shares upon Completion.

### 6. Effect on the shareholding structure of the Company

As set out in the Letter from the Board, the following table illustrate the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon completion of the Share Buy-back:

	As at the Latest Practicable Date		Immediately upon completion of the Share Buy-back	
	Number of Shares	Approximate %	Number of Shares	Approximate %
TWL	274,865,400	56.59	274,865,400	67.74
Rich Unicorn	80,000,000	16.47	-	-
Homer International Investment Limited (Note)	2,060,000	0.42	2,060,000	0.51
Mr. Chu Yeong Kang Joseph Patrick (Note)	100,000	0.02	100,000	0.02
Public Shareholders	<u>128,710,600</u>	<u>26.50</u>	<u>128,710,600</u>	<u>31.73</u>
Total	<u><u>485,736,000</u></u>	<u><u>100</u></u>	<u><u>405,736,000</u></u>	<u><u>100</u></u>

*Note:* Homer International Investment Limited is wholly-owned by Mr. Chu Yeong Kang Joseph Patrick, who indirectly wholly-owns Odysseus Capital Asia Limited which is the financial adviser of the Company in relation to the Share Buy-back. Both Homer International Investment Limited and its shareholder are independent of the Vendor and any of its parent, subsidiaries, fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Assuming there are no changes to the shareholdings of the public Shareholders and the total number of issued Shares of the Company from the Latest Practicable Date to the date of Completion and the cancellation of the Buy-back Shares, the interest of the public Shareholders in the Company's total number of issued Shares of the Company will increase from approximately 26.50% to approximately 31.73%. Meanwhile, TWL will remain as the controlling shareholder of the Company. There is no significant change in shareholdings in the Company or change in control after the Completion.

It is the intention of the Company to continue to maintain the public float requirements of Rule 11.23(7) of the GEM Listing Rules regarding the Shares following completion of the Share Buy-back.

### **7. Financial effects of the Share Buy-back**

As a result of the Share Buy-back, the number of issued Shares would have decreased from 485,736,000 Shares as at the Latest Practicable Date to 405,736,000 Shares. This section sets out various analyses on the potential financial effects of the Share Buy-back on the Group. It should be noted that the figures and financial impact shown in this section are for illustrative purpose only.

#### ***(a) Net assets per Share attributable to the Shareholders***

Assuming that the Completion had taken place on 30 September 2019 and the Buy-back Shares have been bought back in full and cancelled, the Group's unaudited net assets per Share attributable to the Shareholders (i.e. excluding non-controlling interests) as at 30 September 2019 would have decreased by approximately 14.43% from approximately HK\$0.0783 per Share to approximately HK\$0.0670 per Share. Notwithstanding the decrease in net assets per Share attributable to the Shareholders upon Completion, taking into account that (i) the Share Buy-back Price was determined with reference to, among others, the movements in the price of the Shares over a period of time and the prevailing market conditions; (ii) the market prices of the Shares always represented premium over the net assets per Share attributable to the Shareholders during the Review Period; (iii) as detailed in the sub-section headed "4(a) Historical Share price performance" above, the Buy-back Price is below the closing price of the Shares most of the time during the Review Period; (iv) as detailed in the sub-section headed "4(b) Stock value analysis" above, the Implied PB Ratio is below the average and close to the lower end of historical PB Ratio during the Review Period; and (v) various factors as detailed under the sub-section headed "3. Reasons for and benefits of the Share Buy-back" above, in particular that the Share Buy-back can release the long term selling pressure on the Shares upon Completion, we are of the view that the Buy-back Price is fair and reasonable and that the decrease in net assets per Share attributable to the Shareholders is justifiable.

#### ***(b) Basic loss per Share***

The Group recorded loss for the year attributable to owners of the Company of approximately HK\$5,480,000 for FY2019 as a result of decrease in revenue and incurrence of other non-recurring costs (such as initial start-up costs for a new centre and impairment loss of a disposed subsidiary) as detailed in the paragraph headed "(a) The Group" under the sub-section headed "1. Background information on the Group and the Vendor" above. Accordingly, assuming that the Share Buy-back

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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had taken place on 1 April 2018 and the Buy-back Shares have been bought back in full and cancelled, the Group's loss per Share for FY2019 would increase from approximately HK1.13 cents to approximately HK1.36 cents.

*(c) Total liabilities*

As stated in the Letter from the Board, the consideration of the Share Buy-back will be settled in cash and as such the Share Buy-back will not have an impact on the liabilities of the Group.

*(d) Working capital*

As the consideration of the Share Buy-back will be settled in cash, there will be an impact on the working capital or gearing position of the Group in the amount of the cash consideration. As at 31 March 2020, the Group had unaudited cash and bank balances and pledged bank deposits of approximately HK\$42.9 million and HK\$9.6 million, respectively, unaudited net current assets of approximately HK\$16.3 million. Moreover, although the Group had unaudited current liabilities of approximately HK\$42.0 million as at 31 March 2020, such amount included unaudited contract liabilities of approximately HK\$31.5 million, being receipt in respect of prepaid treatment packages, which does not impose any negative impact on the Group's working capital position because the contract liabilities will be fully recognised as revenue in the consolidated statement of profit or loss when the service treatments are provided to customers or when the likelihood of the customers exercising the remaining rights becomes remote. The Directors expect that the unaudited contract liabilities of approximately HK\$31.5 million as at 31 March 2020 would be fully recognised as revenue of the Group within the next two years. As a result, the Company considers that it will have sufficient funding for settling its short-term debts or equivalent when they fall due upon Completion, and the Company considers that the cash payment for consideration will not have a material adverse effect on the working capital requirements of the Group.

We note that the cash payment for consideration represents approximately 19.0% of the aggregate of cash and bank balances and pledged bank deposits. Based on the condensed consolidated statement of financial position as stated in the Interim Report and according to the Management, we noted that the Company did not have any bank loan. In addition, according to the consolidated statement of cash flows as stated in the Annual Report and the Interim Report, the Group experienced net cash inflow from operating activities in FY2018 and FY2017 and the six months ended 30 September 2019. With the reasons as stated above and given the existing cash level of the Company, we are of the view that there would not be material adverse effect on the working capital of the Group upon Completion.

Given that the Share Buy-back will not have material adverse effect on the Group's net asset value per Share and basic loss per Share or increase the liabilities of the Group, and the Group has sufficient working capital as stated above and the completion of Share Buy-back can release the long term selling pressure on the Shares due to the disposal of Buy-back Shares by the Vendor as stated above, we are of the view that the Share Buy-back will not have any material adverse financial effect.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Notwithstanding (i) the Buy-back Price representing premiums of approximately 13.64%, 8.89% and 4.43% over the closing prices on the date of the Share Buy-back Agreement and the average closing price for the five consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement and the ten consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement, respectively; and (ii) the decrease in net assets per Share attributable to the Shareholders upon Completion, taking into consideration of the above-mentioned principal factors and reasons, including:

- (i) as detailed in the paragraph headed “(a) Historical Share price performance” under the sub-section headed “4. Analysis of the Buy-back Price” above, the Buy-back Price has been below the closing price of the Shares most of the time during the Review Period and represents a discount of approximately 37.5% to the average closing price during the Review Period;
- (ii) as detailed in the paragraph headed “(b) Stock value analysis” under the sub-section headed “4. Analysis of the Buy-back Price” above, the Implied PB Ratio is lower than the historical PB Ratio most of the time during the Review Period as well as the average historical PB Ratio during the Review Period;
- (iii) as detailed in the sub-section headed “5. Trading volume of the Shares” above, given the relatively low trading volume of the Shares in the past, it would be difficult to otherwise dispose of the Buy-back Shares in the open market by the Vendor without causing a significant downward pressure on the market price of the Shares, which would not be in the interests of the Company and its Shareholders as a whole; and
- (iv) as detailed in the sub-section headed “7. Financial effects of the Share Buy-back” above, the Share Buy-back would not have any material adverse effect to the financial position of the Company,

we consider that although the Share Buy-back is not in the ordinary and usual course of business of the Company, the terms of the Share Buy-back are fair and reasonable, and the Share Buy-back is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Disinterested Shareholders, and we advise the Disinterested Shareholders, to vote in favour of the relevant resolutions to approve the Share Buy-back to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**Nuada Limited**

**Kim Chan**  
*Executive Director*

**Kevin Wong**  
*Vice President*

*Mr. Kim Chan is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 16 years of experience in corporate finance industry.*

*Mr. Kevin Wong is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 15 years of experience in corporate finance industry.*

## 1. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the consolidated financial information of the Group for each of the three years ended 31 March 2017, 2018 and 2019, as extracted from the relevant annual reports of the Company:

Consolidated Results	For the year ended 31 March		
	2017	2018	2019
	HK\$'000 (audited)	HK\$'000 (audited)	HK\$'000 (audited)
Revenue	62,062	57,793	51,449
Other income, gains and losses	110	1,157	429
Impairment loss in respect of trade receivables	–	(2)	–
Inventories used	(8,269)	(7,862)	(7,706)
Staff costs	(31,100)	(27,759)	(25,919)
Depreciation	(3,064)	(4,176)	(4,592)
Other expenses	(15,371)	(15,623)	(22,388)
Profit/(loss) before tax	4,368	3,528	(8,727)
Income tax expense	(1,200)	(1,241)	(177)
<b>Profit (loss) for the year</b>	<b>3,168</b>	<b>2,287</b>	<b>(8,904)</b>
<b>Other comprehensive income for the year</b>			
Item that may be classified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations	–	–	26
	<b>3,168</b>	<b>2,287</b>	<b>(8,878)</b>
<b>Profit (loss) for the year attributable to:</b>			
Owners of the Company	3,168	2,533	(5,480)
Non-controlling interests	–	(246)	(3,424)
	<b>3,168</b>	<b>2,287</b>	<b>(8,904)</b>
<b>Total comprehensive income (loss) for the year attributable to:</b>			
Owners of the Company	3,168	2,533	(5,466)
Non-controlling interests	–	(246)	(3,412)
	<b>3,168</b>	<b>2,287</b>	<b>(8,878)</b>
<b>Earnings (loss) per share (HK cent)</b>			
– Basic	0.73	0.53	(1.13)
– Diluted	0.73	0.53	(1.13)

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 of the Company and distributed by the Company to the shareholders during the year ended 31 March 2017.

On 5 December 2017, the Board resolved to declare the payment of a special dividend of HK5 cents per share, amounting to HK\$24,020,000 and which was 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 2017 of HK0.2 cent per share, amounting to HK\$961,000, 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 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 resolved to declare the payment of a special dividend of HK4 cents per share of the Company, amounting to HK\$19,429,000, which was distributed by the Company to the Shareholders on 26 July 2019.

<b>Consolidated Assets and Liabilities</b>	<b>As at 31 March</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
<b>Assets and liabilities</b>			
Total assets	101,266	79,989	88,313
Total liabilities	<u>(18,668)</u>	<u>(18,901)</u>	<u>(33,224)</u>
Net assets	82,598	61,088	55,089
Non-Controlling interests	<u>–</u>	<u>(519)</u>	<u>2,893</u>
<b>Equity attributable to owners of the Company</b>	<u><u>82,598</u></u>	<u><u>60,569</u></u>	<u><u>57,982</u></u>

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

The following financial information is extracted from the Company's third quarterly report for the nine months ended 31 December 2019:

Consolidated Results	For the three months ended 31		For the nine months ended 31	
	December		December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	12,704	13,597	38,562	38,591
Other income, gains and losses	396	233	458	139
Inventories used	(2,318)	(2,171)	(6,195)	(5,914)
Staff costs	(5,920)	(6,430)	(18,453)	(19,044)
Depreciation of property, plant and equipment	(730)	(1,226)	(2,112)	(3,373)
Depreciation of right-of-use assets	(1,909)	-	(5,725)	-
Other expenses	(2,676)	(4,621)	(7,860)	(16,166)
Interest expenses on lease liabilities	(199)	-	(664)	-
Loss before tax	(652)	(618)	(1,989)	(5,767)
Income tax expense	(76)	81	(165)	(29)
<b>Loss for the period</b>	<b>(728)</b>	<b>(537)</b>	<b>(2,154)</b>	<b>(5,796)</b>
<b>Other comprehensive loss for the period</b>				
Item that may be classified subsequently to profit or loss:				
Exchange differences arising from translation of foreign operations	19	-	(45)	-
	(709)	(537)	(2,199)	(5,796)
<b>Loss for the year attributable to:</b>				
Owners of the Company	(255)	(53)	(906)	(3,065)
Non-controlling interests	(473)	(484)	(1,248)	(2,731)
	(728)	(537)	(2,154)	(5,796)
<b>Total comprehensive loss for the period attributable to:</b>				
Owners of the Company	(248)	(53)	(931)	(3,065)
Non-controlling interests	(461)	(484)	(1,268)	(2,731)
	(709)	(537)	(2,199)	(5,796)
<b>Loss per share (HK cent)</b>				
- Basic	(0.05)	(0.01)	(0.19)	(0.64)
- Diluted	(0.05)	(0.01)	(0.19)	(0.64)

The Board did not recommend the payment of an interim dividend for the nine months ended 31 December 2019 (2018: Nil).

**2. AUDITED FINANCIAL STATEMENTS**

The Group's audited consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for each of the three years ended 31 March 2019 can be found below:

- pages 51 to 114 of the annual report of the Company for the year ended 31 March 2019, a copy of which is available at <https://www1.hkexnews.hk/listedco/listconews/gem/2019/0627/gln20190627063.pdf>;
- pages 46 to 88 of the annual report of the Company for the year ended 31 March 2018, a copy which is available at <https://www1.hkexnews.hk/listedco/listconews/gem/2018/0621/gln20180621015.pdf>; and
- pages 49 to 90 of the annual report of the Company for the year ended 31 March 2017, a copy which is available at <https://www1.hkexnews.hk/listedco/listconews/gem/2017/0622/gln20170622031.pdf>.

According to the published annual reports of the Company, in the opinion of the auditor of the Company, the consolidated financial statements of the Group for the three years ended 31 March 2017, 2018 and 2019 give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, 2018 and 2019, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. No qualified opinion, emphasis of matter nor material uncertainty related to going concern had been issued by the auditor of the Company in the independent auditor's report since its listing on GEM.

**3. UNAUDITED FINANCIAL STATEMENTS**

The Group's unaudited condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and notes to the condensed consolidated financial statements for the nine months ended 31 December 2019 are set out at pages 1 to 10 of the third quarterly report of the Company for the nine months ended 31 December 2019 which can be found at <https://www1.hkexnews.hk/listedco/listconews/gem/2020/0214/2020021400407.pdf>.

**4. INDEBTEDNESS STATEMENT****(a) Borrowings**

As at the close of business on 31 March 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding loan from a non-controlling interest of a subsidiary of approximately HK\$0.7 million. The amount is unsecured, non-interest bearing and repayable on demand.

**(b) Contingent liabilities**

As at the close of business on 31 March 2020, the Group did not have any contingent liabilities.



Save as disclosed above, and apart from the intra-group liabilities and normal trade payables, the Group did not have outstanding indebtedness as at the close of business on 31 March 2020 or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

## 5. MATERIAL CHANGE

The Directors confirm that save as disclosed below, there are no material changes in the financial or trading position or outlook of the Group since 31 March 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to and including the Latest Practicable Date:

- (1) reference is made to the announcement of the Company dated 19 March 2020, the Company entered into the Share Buy-back Agreement with the Vendor pursuant to which the Vendor has agreed to sell, and the Company has agreed to repurchase for cancellation, a total of 80,000,000 Shares at the total consideration of HK\$10.0 million, equivalent to HK\$0.125 per Buy-back Share;
- (2) as disclosed in the Company's third quarterly report for the nine months ended 31 December 2019, the Group recorded a consolidated net loss attributable to equity holders of approximately HK\$906,000 for the nine months ended 31 December 2019;
- (3) as disclosed in the Company's interim report for the six months ended 30 September 2019, the Group recorded a consolidated net loss attributable to equity holders of approximately HK\$651,000 for the six months ended 30 September 2019;
- (4) a special dividend of HK\$0.04 per Share was declared by the Board on 21 June 2019, equivalent to HK\$19,429,440 in total;
- (5) as disclosed in the circular of the Company dated 17 April 2019 and the announcement of the Company dated 29 January 2019 regarding the disposal of a property holding company, the Company disposed the property holding company at a consideration of HK\$46,000,000 to an independent third party; and
- (6) the Group's revenue in January 2020 was dampened by the outbreak of the COVID-19 virus in Hong Kong and was further hammered in February 2020. During the month of March 2020, client visits gradually picked up and the Group cited a reversal in revenue decline for the month. However, as a measure to control the spread of the COVID-19 virus, the Hong Kong Government announced on 8 April 2020 restrictions on public gatherings and entertainment venue closures, including the operation of beauty parlours. Despite the fact that the Group's business mainly focuses on medical procedures and medical treatments performed by doctor-operated clinics, certain non-medical beautifying services were affected and the Group's revenue declined in April 2020 though it was still higher than that recorded in February 2020. On the other hand, the Group's operating expenses have decreased since the beginning of the year 2020 due to a decline in variable costs such as performance related incentive payments

paid to medical practitioners and costs of inventories used. The month of March also saw the termination of an endorsement contract which expired in February 2020. For ease of reference, an amount of approximately HK\$146,000, HK\$2,762,000 and HK\$484,000 related to such endorsement fee was charged to the consolidated statement of profit and loss of the Group for the two years ended 31 March 2018 and 2019 and the nine months ended 31 December 2019, respectively.

## **6. FINANCIAL AND TRADING PROSPECT**

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 the prime locations in Hong Kong, which primarily focus on the treatment of skin diseases and problems and/or the improvement of appearance of clients.

The Group will continue to keep abreast of the latest industry knowledge in order to offer the most suitable and updated services to its clients. The Group continuously performs market research on the development of, and evaluates the effects of the latest products, skills and treatment devices and technologies in the market. The Group believes 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 an effective way to maintain the Group’s competitiveness and its forefront position in the industry.

It is expected that the Group will continue to face the adverse impact from the COVID-19 pandemic in the months ahead. Leveraging the support of a healthy balance sheet, an established customer base and renowned reputation in the industry, and its continued efforts in maximising revenue whilst improving operating efficiency, the Group is well prepared to weather the downturn and is cautiously confident about its development in the future. The Group will continue, using its best endeavours, to provide the highest quality medical skin care services and products to its clients and strengthening its market position so as to grow its brand and business and to maximise returns for its investors.

## 1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

## 2. SHARE CAPITAL

### Authorised and issued capital

The issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Share Buy-back assuming that no further Shares will be issued or bought back by the Company prior to completion of the Share Buy-back is illustrated below:

#### (a) as at the Latest Practicable Date

<i>Authorised</i>	<i>HK\$</i>
<u>1,000,000,000 Shares</u>	<u>10,000,000</u>
 <i>Issued and fully paid</i>	
<u>485,736,000 Shares</u>	<u>4,857,360</u>

(b) *immediately after completion of the Share Buy-back assuming that no further Shares will be issued or bought back by the Company prior to completion of the Share Buy-back*

<i>Authorised</i>		<i>HK\$</i>
<u>1,000,000,000 Shares</u>		<u>10,000,000</u>
<i>Issued and fully paid</i>		<i>HK\$</i>
485,736,000 Shares		4,857,360
(80,000,000) Shares	to be bought back under the Share Buy-back	(800,000)
<hr/>		
<u>405,736,000 Shares</u>	upon completion of the Share Buy-back	<u>4,057,360</u>

As at the Latest Practicable Date, there were 485,736,000 Shares in issue. Save as a total of 4,000,000 share options (the “Options”) to subscribe for an aggregate of 4,000,000 Shares were granted to several Directors and employees of the Group under the share option scheme adopted by the shareholders of the Company on 3 December 2014, including 2,800,000 Options granted to five Directors, namely Ms. Kong Chung Wai (800,000 Options), Ms. Sin Chui Pik Christine (800,000 Options), Mr. Chan Cheong Tat (400,000 Options), Mr. Lee Ka Lun (400,000 Options) and Mr. Leung Siu Cheung (400,000 Options), and 1,200,000 Options granted to three employees of the Group, the Company did not have any outstanding derivatives, warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into Shares or other types of equity interest as at the Latest Practicable Date.

All of the issued Shares rank pari passu with each other in all respects including the rights as to voting rights, dividends and return of capital.

No Shares had been issued or bought-back by the Company since 31 March 2019, being the date on which the latest audited financial statements of the Group were made up, and up to the Latest Practicable Date.

Further, no Shares had been bought-back by the Company during the period of 12 months immediately preceding the date of the Announcement and up to the Latest Practicable Date.

On 17 September 2018, 5,336,000 new Shares were issued at HK\$0.53 per Share to Dragon Dragon Company Limited pursuant to a subscription agreement dated 26 February 2018 (the “Subscription Agreement”). The total gross proceeds from this subscription amounted to approximately HK\$2.83 million. Save as disclosed above, there has been no other issuance of new Shares during the two years immediately preceding the date of the Announcement. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Dragon Dragon Company Limited has no relation (business or otherwise, present or future, formal or informal) with the Vendor and its connected persons.

There was no re-organisation of capital of the Company during the two financial years preceding the date of the Announcement.

### 3. DIVIDENDS

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 of the Company 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 resolved to declare the payment of a special dividend of HK4 cents per share of the Company, amounting to HK\$19,429,000, which was distributed by the Company to the Shareholders on 26 July 2019.

The Company's ability to pay dividends to Shareholders depends on a number of factors including the Group's earnings, financial condition, capital requirements and surplus and any other factors that the Board may consider relevant. The Company shall review and reassess its dividend policy and its effectiveness on a regular basis or as required. The Company has no plan or intention to alter its present dividend policy.

### 4. MARKET PRICES

The table below shows the closing prices of the Shares on the Stock Exchange (i) at the end of each of the six calendar months immediately preceding the Latest Practicable Date, (ii) on the date of the Announcement, and (iii) on the Latest Practicable Date:

<b>Date</b>	<b>Closing price per Share HK\$</b>
30 September 2019	0.250
31 October 2019	0.186
30 November 2019	0.170
31 December 2019	0.166
31 January 2020	0.166
29 February 2020	0.125
19 March 2020 (the date of the Announcement)	0.110
31 March 2020	0.130
29 April 2020	0.144
5 May 2020 (the Latest Practicable Date)	0.139

The highest and lowest closing prices per Share recorded on the Stock Exchange during the Relevant Period were HK\$0.29 on 27 September 2019 and HK\$0.108 on 27 April 2020, respectively.

## 5. DISCLOSURE OF INTERESTS

### (a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interest or short positions of the Directors or chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be disclosed pursuant to the Share Buy-backs Code; or (iv) were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

#### *Long positions in Shares and underlying Shares*

<b>Director</b>	<b>Nature of Interest</b>	<b>Number of issued Share held</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Dr. Kong Kwok Leung	Interest in a controlled corporation	274,865,400	56.59%

*Note:*

The 274,865,400 Shares were registered in the name of TWL. Under the SFO, Dr. Kong Kwok Leung is deemed to be interested in all the Shares registered in the name of TWL.

*Long positions in options of the Company*

Director	Date of grant	Exercise price per share	Vesting period	Exercise period	Number of underlying Shares	Approximate percentage of the issued share capital of the Company
Kong Chung Wai	15.08.2018	0.433	N/A	15.08.2018-14.08.2022	200,000	
	15.08.2018	0.433	15.08.2018-14.08.2019	15.08.2019-14.08.2022	400,000	
	15.08.2018	0.433	15.08.2018-14.08.2020	15.08.2020-14.08.2022	200,000	
<b>Sub-total</b>					<b>800,000</b>	<b>0.16%</b>
Sin Chui Pik Christine	15.08.2018	0.433	N/A	15.08.2018-14.08.2022	200,000	
	15.08.2018	0.433	15.08.2018-14.08.2019	15.08.2019-14.08.2022	400,000	
	15.08.2018	0.433	15.08.2018-14.08.2020	15.08.2020-14.08.2022	200,000	
<b>Sub-total</b>					<b>800,000</b>	<b>0.16%</b>
Chan Cheong Tat	15.08.2018	0.433	N/A	15.08.2018-14.08.2022	200,000	
	15.08.2018	0.433	15.08.2018-14.08.2019	15.08.2019-14.08.2022	200,000	
<b>Sub-total</b>					<b>400,000</b>	<b>0.08%</b>
Lee Ka Lun	15.08.2018	0.433	N/A	15.08.2018-14.08.2022	200,000	
	15.08.2018	0.433	15.08.2018-14.08.2019	15.08.2019-14.08.2022	200,000	
<b>Sub-total</b>					<b>400,000</b>	<b>0.08%</b>
Leung Siu Cheung	15.08.2018	0.433	N/A	15.08.2018-14.08.2022	200,000	
	15.08.2018	0.433	15.08.2018-14.08.2019	15.08.2019-14.08.2022	200,000	
<b>Sub-total</b>					<b>400,000</b>	<b>0.08%</b>

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be disclosed pursuant to the Share Buy-backs Code; or (iv) were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

**(b) Interests of Substantial Shareholders and other persons**

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, each of the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Company and were recorded in the register required to be kept by the Company under section 336 of the SFO:



*Long positions in Shares and underlying Shares*

Director	Date of grant	Number of underlying Shares	Approximate percentage of the issued share capital of the Company
TWL (note a)	Beneficial owner	274,865,400	56.59%
Rich Unicorn (note b)	Beneficial owner	80,000,000	16.47%
Fullshare Holdings Limited (note b)	Interest in a controlled corporation	80,000,000	16.47%
Magnolia Wealth International Limited (note b)	Interest in a controlled corporation	80,000,000	16.47%
Mr. Ji Changqun (note b)	Interest in a controlled corporation	80,000,000	16.47%

*Notes:*

- (a) The entire issued share capital of TWL is beneficially owned by Dr. Kong Kwok Leung. Therefore, Dr. Kong Kwok Leung is deemed to be interested in all the Shares held by TWL.
- (b) Rich Unicorn, a company incorporated in the British Virgin Islands with limited liability, is beneficially owned by Fullshare Holdings Limited (“**Fullshare**”) whose issued shares are listed on the Stock Exchange (stock code: 607). Fullshare is in turn owned as to 43.31% by Magnolia Wealth International Limited (“**Magnolia Wealth**”), a company incorporated in the British Virgin Islands with limited liability, whose entire issued share capital is beneficially owned by Mr. Ji Changqun (“**Mr. Ji**”). In addition, Mr. Ji holds 4.62% of Fullshare directly as the beneficial owner. Therefore, Fullshare, Magnolia Wealth and Mr. Ji are deemed to be interested in the Shares held by Rich Unicorn.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, no other persons (other than a Director and chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or were directly or indirectly interested in 10% or more of the issued voting shares of any other member of the Group or any options in respect of such capital.

## 6. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).

**7. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date, none of the Directors had any interest in any assets which had been since 31 March 2019, acquired or disposed of by or leased to, any member of the Group, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

**8. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors, controlling Shareholders or their respective associates had any direct or indirect interest in a business which competes or may compete with the business of the Group.

**9. ADDITIONAL DISCLOSURE OF INTERESTS**

- (a) As at the Latest Practicable Date, there was no irrevocable commitment received by the Company to vote for or against the resolution approving the Share Buy-back Agreement and the transactions contemplated thereunder.
- (b) During the Relevant Period, there was no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Vendor had borrowed or lent.
- (c) During the Relevant Period, there had been no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which any Director or any person acting in concert with any Director had borrowed or lent.
- (d) Save as disclosed in the paragraph headed "Disclosure of Interests" in this appendix, the Vendor, the Directors and any person acting in concert with the Directors did not have any shares, convertible securities, warrants, options or other derivatives of the Company as at the Latest Practicable Date and none of the Vendor, the Directors and any person acting in concert with the Directors had dealt for value in any shares, convertible securities, warrants, options or other derivatives of the Company during the Relevant Period.
- (e) As at the Latest Practicable Date, no person had irrevocably committed himself/herself/itself to vote for or against the resolution to be proposed at the EGM.
- (f) Dr. Kong Kwok Leung, an executive Director, is deemed to be interested in 274,865,400 Shares held by TWL. It is the intention of TWL to vote in favour of the resolution approving the Share Buy-back at the EGM in respect of all the Shares it held.
- (g) As at the Latest Practicable Date, there was no outstanding derivatives in respect of securities in the Company entered into by the Vendor.

- (h) As at the Latest Practicable Date, save for the 80,000,000 Shares owned by the Vendor whose particulars are disclosed in the paragraph headed “Effects on shareholding structure of the Company” in the section headed “Letter from the Board” in this circular, neither the Vendor nor any parties acting in concert with it owned or had control or direction over any voting rights or rights over the Shares or options, derivatives or warrants or other securities convertible into Shares.
- (i) As at the Latest Practicable Date, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of the Vendor which might be material to the Share Buy-back.
- (j) As at the Latest Practicable Date, there was no other agreement or arrangement to which the Vendor, the Company or any person acting in concert with the respective parties is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Share Buy-back Agreement.

## 10. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

## 11. MATERIAL CONTRACT

Save for the following contracts, no contract (not being contract in the ordinary course of business), which is or may be material, has been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date:

- (a) the Share Buy-back Agreement;
- (b) a provisional sale and purchase agreement (the “**Provisional Agreement**”) dated 29 January 2019 entered into between the Company and China Win Assets Limited in respect of the sale and purchase of the entire issued share capital in Golden Dickson (HK) Limited (the “**Target Company**”) held by the Company as at the date of the Provisional Agreement and 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 the date when the sale took place for a consideration of HK\$46 million; and
- (c) the Subscription Agreement.

## 12. DEALINGS

- (i) None of the holders of 10% or more of the voting rights of the Company had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

- (ii) None of the Directors or any persons acting in concert with them had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

### **13. EXPERT AND CONSENT**

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Nuada Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Nuada Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of their reports or letters or their names in the form and context in which they respectively appear.

Nuada Limited does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Nuada Limited does not have any direct or indirect interests in any assets which have been, since 31 March 2019 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

### **14. MISCELLANEOUS**

- (a) The registered office of the Company is situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is located at Flat A – C, 16th Floor, Champion Building, 287-291 Des Voeux Road Central, Hong Kong.
- (c) The business office of Odysseus Capital Asia Limited, the financial adviser to the Company in respect of the Share Buy-back, is situated at Suite 7B, Wyndham Place, 40-44 Wyndham Street, Central, Hong Kong.
- (d) The business office of Nuada Limited is situated at Unit 1606, 16/F, OfficePlus @Sheung Wan, 93-103 Wing Lok Street, Sheung Wan, Hong Kong.
- (e) The branch share registrar and share transfer office of the Company in Hong Kong is Tricor Investor Services Limited, situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

- (f) The registered office of Rich Unicorn Holdings Limited is situated at Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (g) The company secretary of the Company is Ms. Sin Chui Pik Christine, who is the executive Director of the Company.
- (h) In case of any inconsistency, the English text of this circular shall prevail over its Chinese text.

**15. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection (i) at the office of the Company at Flat A – C, 16th Floor, Champion Building, 287-291 Des Voeux Road Central, Hong Kong during normal business hours from 9:30 a.m. to 5:00 p.m. on any weekday, except public holidays; (ii) on the websites of the Company ([www.medicskin.com](http://www.medicskin.com)); and (iii) the website of the SFC ([www.sfc.hk](http://www.sfc.hk)) in the period from the date of this circular up to and including the date of the EGM.

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 March 2018 and 2019;
- (c) the third quarterly report of the Company for the nine months ended 31 December 2019;
- (d) the material contracts as referred to in the paragraph headed “Material Contract” in this appendix;
- (e) the written consent referred to in the paragraph headed “Expert and Consent” in this appendix;
- (f) the letter from the Board, the text of which is set out from pages 4 to 16 of this circular;
- (g) the letter from the Independent Board Committee, the text of which is set out on pages 17 to 18 of this circular;
- (h) the letter from the Independent Financial Adviser, the text of which is set out on pages 19 to 41 of this circular; and
- (i) this circular.

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## NOTICE OF EGM

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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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “EGM”) of Medicskin Holdings Limited (the “Company”) will be held on Friday, 5 June 2020 at 9:00 a.m. at 20/F, OfficePlus@Sheung Wan, 93-103 Wing Lok Street, Sheung Wan, Hong Kong to consider and, if thought fit, passing, with or without modifications, the following resolution as special resolution of the Company:

#### SPECIAL RESOLUTION

**“THAT:**

- (a) the sale and repurchase agreement dated 19 March 2020 (the “**Share Buy-back Agreement**”) entered into between Rich Unicorn Holdings Limited (the “**Vendor**”) and the Company in relation to the proposed buy-back (the “**Share Buy-back**”) of 80,000,000 ordinary shares of par value HK\$0.01 each (the “**Buy-back Shares**”) in the issued share capital of the Company by the Company from the Vendor at the proposed total consideration of HK\$10,000,000 (a copy of which is marked “A” and produced to the meeting and signed by the chairman of the meeting for identification purpose) be and is hereby approved;
- (b) the Share Buy-back and the transactions contemplated under the Share Buy-back Agreement be and are hereby approved; and
- (c) the directors of the Company be and are hereby authorised to do all such acts and things and execute all such documents which they consider necessary, desirable or expedient for the implementation of and giving effect to the Share Buy-back Agreement and the transactions contemplated thereunder (including but not limited to the cancellation of the Buy-back Shares).”

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

Hong Kong, 8 May 2020

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## NOTICE OF EGM

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*Notes:*

1. A member of the Company (a “**Shareholder**”) entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or, if such Shareholder is a holder of more than one share, more proxies to attend and vote in his stead. A proxy need not be a Shareholder.
2. In order to be valid, the form of proxy must be deposited with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, located at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, together with a power of attorney or other authority, if any, under which it is signed or a notorially certified copy of that power of attorney, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
3. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 2 June 2020 to Friday, 5 June 2020 (both days inclusive), during which time no transfer of shares will be effected. To ensure that Shareholders are entitled to attend and vote at the EGM, Shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, located at Level 54, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Monday, 1 June 2020 for registration of the relevant transfer.
4. In order to better protect the safety and health of the attending Shareholders, staff and other stakeholders, the Company will implement the following preventive measures at the EGM:
  - (i) compulsory body temperature check will be conducted for every person at the entrance of the venue of EGM. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the venue;
  - (ii) every person is required to wear facial mask at the venue of the EGM;
  - (iii) the Company will not serve refreshment at the EGM to avoid the coming into close contact amongst participants; and
  - (iv) persons who are not Shareholders or their proxy will not be admitted into the EGM venue.
5. The Company wishes to remind the Shareholders and other participants who will attend the EGM in person to take personal precautions and abide by the requirements of epidemic precaution and control at the venue of the EGM. In the interest of all stakeholders’ health and safety and consistent with recent guidelines for prevention and control of COVID-19, **the Company also reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights.** The Shareholders may choose to vote by filling in and submitting the relevant proxy form of the EGM, and appoint the chairman of the EGM as a proxy to vote on relevant resolution(s) as instructed in accordance with the relevant proxy form instead of attending the EGM in person.
6. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should such Shareholder subsequently so wish.

As at the date of this notice, 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.