



MEDICSKIN HOLDINGS LIMITED

密迪斯肌控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8307)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

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

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 the 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 traded 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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*This announcement, for which the directors (the “**Directors**”) of Medicskin Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

ANNUAL RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2020 together with the comparative audited figures for the corresponding period of last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4	48,046	51,449
Other income, gains and losses		658	429
Inventories used		(8,826)	(7,706)
Staff costs		(23,523)	(25,919)
Depreciation of right-of-use assets		(7,633)	–
Depreciation of property, plant and equipment/ investment property		(2,819)	(4,592)
Other expenses	5	(10,376)	(22,388)
Interest expenses on lease liabilities		(840)	–
Loss before tax	6	(5,313)	(8,727)
Income tax expense	7	(86)	(177)
Loss for the year		(5,399)	(8,904)
Other comprehensive (loss) income for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		(65)	26
		(5,464)	(8,878)
Loss for the year attributable to:			
Owners of the Company		(3,237)	(5,480)
Non-controlling interests		(2,162)	(3,424)
		(5,399)	(8,904)

		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total comprehensive loss attributable to:			
Owners of the Company		(3,270)	(5,466)
Non-controlling interests		<u>(2,194)</u>	<u>(3,412)</u>
		<u>(5,464)</u>	<u>(8,878)</u>
Loss per share, basic (HK cent)	9	<u>(0.67)</u>	<u>(1.13)</u>
Loss per share, diluted (HK cent)	9	<u>(0.67)</u>	<u>(1.13)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Right-of-use assets		12,757	–
Property, plant and equipment		5,129	6,248
Rental deposits		2,633	3,003
		20,519	9,251
Current assets			
Inventories		2,929	4,122
Trade receivables	<i>10</i>	372	699
Other receivable, deposits and prepayments		1,536	1,947
Tax recoverable		121	951
Pledged bank deposits		9,561	9,837
Bank balances and cash		42,905	15,920
		57,424	33,476
Assets classified as held for sale		–	45,586
		57,424	79,062
Current liabilities			
Trade payables	<i>11</i>	392	499
Other payable and accrued liabilities		1,798	2,524
Amount due to a non-controlling shareholder of a subsidiary		735	539
Deposit received		–	4,600
Contract liabilities		31,341	24,344
Lease liabilities		7,332	–
Tax payable		6	–
		41,604	32,506
Liabilities associated with assets classified as held for sale		–	318
		41,604	32,824
Net current assets		15,820	46,238

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Total assets less current liabilities	<u>36,339</u>	<u>55,489</u>
Non-current liabilities		
Lease liabilities	5,538	–
Provision for reinstatement costs	<u>400</u>	<u>400</u>
	<u>5,938</u>	<u>400</u>
Net assets	<u>30,401</u>	<u>55,089</u>
Capital and reserves		
Share capital	4,857	4,857
Reserves	<u>30,631</u>	<u>53,125</u>
Equity attributable to owners of the Company	35,488	57,982
Non-controlling interests	<u>(5,087)</u>	<u>(2,893)</u>
Total equity	<u>30,401</u>	<u>55,089</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited. Its immediate and ultimate holding company is Topline Worldwide Limited, a company incorporated in the British Virgin Islands with limited liability. Its ultimate controlling party is Dr. Kong Kwok Leung (“**Dr. Kong**”), who is also the Chairman, chief executive officer and an executive Director of the Company. The addresses of the registered office and principal place of business of the Company are P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands and Flat A-C, 16th Floor, Champion Building, 287-291 Des Voeux Road Central, Hong Kong, respectively.

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

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

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

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

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

In addition, the Group has early applied Amendments to HKFRS 16 COVID-19-Related Rent Concessions which will be mandatorily effective for the Group on or after 1 June 2020.

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has applied HKFRS 16 Lease (“**HKFRS 16**”) for the first time in the current period. HKFRS 16 superseded HKAS 17 Leases (“**HKAS 17**”), and the related interpretations.

HKFRS 16 Leases

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases by applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b) (ii) transition. Any difference at the date of initial application is recognised in the opening balance and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ending within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis; and
- iv. elected not to assess whether a rent concession that meets the conditions in paragraph 46B of HKFRS 16 (COVID-19-Related Rent Concessions Amendment) is a lease modification.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.13%.

	At 1 April 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	<u>21,480</u>
Lease liabilities discounted at relevant incremental borrowing rates	20,074
Less: Practical expedient-leases with lease term ending within 12 months from the date of initial application	<u>(52)</u>
Lease liabilities as at 1 April 2019	<u>20,022</u>
Analysed as	
Current	7,152
Non-current	<u>12,870</u>
	<u>20,022</u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 April 2019 <i>HK\$'000</i>
Non-current Assets			
Right-of-use assets	–	20,390	20,390
Rental deposits	3,003	(368)	2,635
Current Liabilities			
Lease liabilities	–	7,152	7,152
Non-current liabilities			
Lease liabilities	–	12,870	12,870

As a lessor

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as under HKAS 17. Therefore, HKFRS 16 does not have an impact for leases where the Group is the lessor.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

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

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

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

Conceptual Framework for Financial Reporting 2018 (the “New Framework”)

The New Framework:

- reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

4. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents revenue arising from the provision of consultation services (“**Consultation Service**”), prescription and dispensing of medication and/or skincare products (“**Prescription and Dispensing Service**”) and provision of skin care treatments (“**Treatment Service**”) during the year.

Disaggregation of revenue from contracts with customers:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Consultation Service	1,452	1,875
Prescription and Dispensing Service	14,622	17,015
Treatment Service	<u>31,972</u>	<u>32,559</u>
	<u>48,046</u>	<u>51,449</u>

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

	Consultation Service		Prescription and Dispensing Service		Treatment Service		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
At a point in time	-	-	14,622	17,015	-	-	14,622	17,015
Over time	<u>1,452</u>	<u>1,875</u>	<u>-</u>	<u>-</u>	<u>31,972</u>	<u>32,559</u>	<u>33,424</u>	<u>34,434</u>
	<u><u>1,452</u></u>	<u><u>1,875</u></u>	<u><u>14,622</u></u>	<u><u>17,015</u></u>	<u><u>31,972</u></u>	<u><u>32,559</u></u>	<u><u>48,046</u></u>	<u><u>51,449</u></u>

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

As at 31 March 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts was HK\$31,341,000 (2019: HK\$24,344,000). This amount represents revenue expected to be recognised in the future from contracts for Treatment Service entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the service is rendered, which is expected to occur over the next 12 to 36 months.

Segment Information

The Group's operating activities are attributable to a single operating segment focusing on Consultation Service, Prescription and Dispensing Service and Treatment Service. This operating segment has been identified on the basis of internal management reports prepared in accordance with the Group's accounting policies. Dr. Kong has been identified as the chief operating decision maker ("CODM"). The CODM reviews the Group's revenue analysis by services and products in order to assess performance and allocation of resources.

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

Geographical information

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

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

Information about major customers

During each of the years ended 31 March 2020 and 2019, there was no revenue from any customer who individually contributing over 10% of the total revenue of the Group.

5. OTHER EXPENSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Property lease rentals and related expenses	1,743	8,452
Marketing expenses (including endorsement fee)	1,962	4,915
Payment platforms service charges	1,170	1,206
Listing, legal and professional fees	1,653	1,987
Impairment loss in respect of property, plant and equipment	–	783
Impairment loss in respect of investment property	–	783
Other operating expenses	3,848	4,262
	<u>10,376</u>	<u>22,388</u>

6. LOSS BEFORE TAX

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before tax has been arrived at after charging (crediting):		
Auditors' remuneration		
– current year	439	387
– underprovision in prior years	82	–
	<u>521</u>	<u>387</u>
Cost of inventories recognised as an expense	8,826	7,706
Allowance for inventories (included in cost of inventories)	1,201	120
Operating lease charge: minimum lease payments	–	7,149
Rental income less direct outgoing	(86)	(616)
Impairment loss in respect of property, plant and equipment	–	783
Impairment loss in respect of investment property	–	783
Staff costs		
Directors' emoluments	9,122	10,533
Other staff costs		
– salaries, allowance and other benefits	13,820	14,750
– share-based payments	67	132
– contributions to retirement benefits schemes	514	504
	<u>23,523</u>	<u>25,919</u>
Depreciation		
– right-of-use assets	7,633	–
– property, plant and equipment	2,819	4,268
– investment property	–	324
	<u>10,452</u>	<u>4,592</u>

7. INCOME TAX EXPENSE

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

Under the two-tiered profits tax rates regime, the first HK\$2.0 million of profits of qualifying entity will be taxed at 8.25%, and profits above HK\$2.0 million will be taxed at 16.5%. For the years ended 31 March 2020 and 2019, Hong Kong Profits Tax of the qualified entity is calculated in accordance with the two-tiered profits tax rates regime. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Income tax expense comprises of:		
Hong Kong Profits Tax		
Current year	79	258
Under provision in prior years	<u>7</u>	<u>34</u>
	86	292
Deferred tax credit	<u>-</u>	<u>(115)</u>
	<u>86</u>	<u>177</u>

8. DIVIDENDS

A final dividend in respect of the year ended 31 March 2018 of HK0.15 cent per share of the Company, amounting to HK\$721,000, was approved by the shareholders of the Company (the “**Shareholder(s)**”) 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 approximately HK\$19,429,000, which was distributed by the Company to the Shareholders on 26 July 2019.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the purpose of calculating basic and diluted loss per share (loss for the year attributable to owners of the Company)	<u>(3,237)</u>	<u>(5,480)</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	485,736	483,265
Effect of diluting potential ordinary shares:		
Share options issued by the Company	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	<u>485,736</u>	<u>483,265</u>

For the years ended 31 March 2020 and 2019, the computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise price is higher than the average market prices for both years.

10. TRADE RECEIVABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	293	590
31–60 days	79	94
61–90 days	<u>—</u>	<u>15</u>
Total	<u>372</u>	<u>699</u>

The Group's trade receivables were not past due nor impaired at the end of the reporting period and were due from debtors which do not have historical default of payments.

11. TRADE PAYABLES

The average credit period on purchase of goods is 30 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	<u>392</u>	<u>499</u>

12. EVENTS AFTER THE REPORTING PERIOD

- (a) On 19 March 2020, the Company entered into a share buy-back agreement (the “**Share Buy-back Agreement**”) with Rich Unicorn Holdings Limited, an independent shareholder (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 ordinary shares of the Company (the “**Buy-back Shares**”) at the total consideration of HK\$10,000,000, equivalent to HK\$0.125 per share. The Share Buy-back Agreement is conditional upon the satisfaction of the following conditions:
- (a) the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (the “**Executive Director**”), or any delegate of the Executive Director having granted and not having withdrawn or revoked the approval for the share buy-back transaction and the condition(s) of such approval (if any) having been satisfied;
 - (b) the passing of the resolutions at 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 by at least three-fourth of the shareholders other than the Vendor (“**Disinterested Shareholders**”) of the votes cast on a poll approving the share buy-back transaction;
 - (c) the Company having complied with the applicable provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange, including those under Chapter 20, the disclosure requirements and the requirement to obtain Disinterested Shareholders’ approval in relation to the share buy-back transaction;

- (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 of the share buy-back transaction; 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.

As at 31 March 2020, none of the above conditions has been fulfilled.

All conditions under the Share Buy-back Agreement have been fulfilled and completion took place on 9 June 2020. The Buy-back Shares have been cancelled on 16 June 2020.

- (b) On 15 May 2020, the Group entered into a sale and purchase agreement with an independent third party, pursuant to which the Group has agreed to sell its 51% equity interest in Success Guide Limited, the holding company of MS Medicspa Limited which is engaged in the provision of beauty spa services, and the independent third party has agreed to acquire the same for a consideration of HK\$60,000. The transaction was completed on 1 June 2020.
- (c) Due to the outbreak of the COVID-19 virus in Hong Kong, as a measure to control the spread of the COVID-19 virus, the Hong Kong government announced and implemented on 8 April 2020 restrictions on public gatherings and ordered entertainment venue closures, as well as suspending the operation of beauty parlours for 28 days from 10 April to 7 May 2020. 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. It is expected that the business environment will be challenging in the near term until the spread of the COVID-19 virus is effectively contained.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a medical skin care service provider in Hong Kong. Currently, the Group operates two “Medicskin” branded medical skin care centres and one anti-aging centre, 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 naevi, and hair removal. These are achieved through the provision of Consultation Service, Prescription and Dispensing Service and Treatment Service.

For the year ended 31 March 2020, the revenue of the Group decreased by approximately HK\$3.4 million, or 6.6%, to approximately HK\$48.0 million, when compared to the year ended 31 March 2019. The revenue of Consultation Service, Prescription and Dispensing Service and Treatment Service amounted to approximately HK\$1.4 million, HK\$14.6 million and HK\$32.0 million which accounted for approximately 3.1%, 30.4%, and 66.5% of the total revenue of the Group, respectively.

More than half of the Group’s revenue was derived from Treatment Service, which typically involves the injection of Botulinum Toxin Type A and hyaluronic acid, cauterisation, thread lifting and treatments with the use of devices deploying technologies such as laser, radiofrequency and intense focused ultrasound. Most of the Treatment Service was performed by our doctors, with approximately 75.0% of the revenue from Treatment Service generated from treatments performed by our doctors.

The Group recorded a loss attributable to owners of the Company of approximately HK\$3.2 million for the year ended 31 March 2020, representing a decrease of approximately 41.8% from that of approximately HK\$5.5 million for the year ended 31 March 2019. The loss of the last corresponding year was mainly attributable to the effect of the initial startup expenses and additional costs of approximately HK\$4.4 million incurred by the Group on the development of its anti-aging centre located in Tsim Sha Tsui which commenced formal operation in June 2018. Basic loss per share for the period was HK0.67 cent, representing a decrease of approximately 40.7% from that of HK1.13 cent for the last corresponding year.

OUTLOOK

The Group will continue to keep abreast of the latest industry knowledge in order to offer the most suitable and updated services to our clients. The Group performs on a regular basis market research on the development of, and evaluate the effects of the latest products, skills and treatment devices and technology in the market. We believe that the introduction of new types of services and products is one of the driving forces for the growth of the Group's business and is a significant way to maintain the Group's competitiveness and its forefront position in the industry.

It is expected that the Group will continue to face the adverse impact from the COVID-19 pandemic in the months ahead. Leveraging on a healthy balance sheet, an established customer base and renowned reputation in the industry, and our continued efforts in maximising revenue whilst improving operating efficiency, the Directors believe that the Group is well prepared to weather the anticipated economic downturn and is cautiously confident about its development in the future. The Group will continue to use 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.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK\$3.4 million, or 6.6%, from approximately HK\$51.4 million for the year ended 31 March 2019 to approximately HK\$48.0 million for the year ended 31 March 2020. The decrease was primarily attributable to the decrease in the number of clients served by the Group and the decrease in the number of visits by our clients due to the outbreak of the COVID-19 virus in Hong Kong.

Other income, gains and losses

Net other income and gains increased by approximately HK\$0.3 million, or 75.0%, from approximately HK\$0.4 million for the year ended 31 March 2019 to approximately HK\$0.7 million for the year ended 31 March 2020. The increase was primarily attributable to the increase in bank interest income.

Inventories used

The Group's cost of inventories used was approximately HK\$8.8 million and HK\$7.7 million for the years ended 31 March 2020 and 2019, respectively, representing 18.4% and 15.0% of the revenue for the respective years. The increase was primarily attributable to the increase in allowance made for slow moving skin care products of approximately HK\$1.2 million during the current year.

Staff costs

Staff costs decreased by approximately HK\$2.4 million, or 9.3%, from approximately HK\$25.9 million for the year ended 31 March 2019 to approximately HK\$23.5 million for the year ended 31 March 2020. The decrease was primarily attributable to the decrease in performance related incentive payments paid to doctors due to decline in revenue generated by doctors during the year.

Depreciation of right-of-use assets

Depreciation of right-of-use assets increased by approximately HK\$7.6 million. The increase was primarily attributable to the adoption of HKFRS 16, which came into effect on 1 April 2019. Correspondingly, there was a similar decrease in property lease rentals under other expenses.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment decreased by approximately HK\$1.8 million, or 39.1%, from approximately HK\$4.6 million for the year ended 31 March 2019 to approximately HK\$2.8 million for the year ended 31 March 2020. The decrease was primarily attributable to the disposal of Golden Dickson (HK) Limited (“**Golden Dickson**”), a property holding company and wholly-owned subsidiary of the Company, which was completed on 31 May 2019.

Other expenses

Other expenses decreased by approximately HK\$12.0 million, or 53.6%, from approximately HK\$22.4 million for the year ended 31 March 2019 to approximately HK\$10.4 million for the year ended 31 March 2020. The decrease was primarily attributable to (i) the decrease in property lease rentals due to the adoption of HKFRS 16 of approximately HK\$6.7 million, and (ii) the decrease in marketing expenses (including endorsement fee) of approximately HK\$3.0 million of the anti-aging centre which commenced operation in June 2018.

Income tax expense

Income tax expense remained stable at approximately HK\$0.1 million and HK\$0.2 million for the years ended 31 March 2020 and 2019, respectively.

Loss for the year

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company for the year ended 31 March 2020 of approximately HK\$3.2 million, representing a decrease of approximately 41.8% from that of approximately HK\$5.5 million for the year ended 31 March 2019.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The capital of the Group only comprises ordinary shares.

The total equity of the Group as at 31 March 2020 was approximately HK\$30.4 million (2019: HK\$55.1 million). The Group generally financed its operation with internally generated cash flows. The Group had bank balances and cash of approximately HK\$42.9 million as at 31 March 2020 (2019: HK\$15.9 million), with no external borrowing (2019: Nil). As at 31 March 2020, the Group had net current assets of approximately HK\$15.8 million (2019: HK\$46.2 million).

Cash generated from operations for the year ended 31 March 2020 was approximately HK\$14.1 million (2019: HK\$5.4 million). With the healthy bank balances and cash on hand, the Group's liquidity position remained strong and it had sufficient financial resources to fund its future plans and to meet its working capital requirement.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended 31 March 2020, there was no significant investment held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group does not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save for the disposal of Golden Dickson on 31 May 2019, the details of which are set out in the announcements issued by the Company dated 29 January and 31 May 2019 and the circular of the Company dated 18 April 2019, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2020.

COMMITMENTS

As at 31 March 2020, the Group had capital commitments in respect of contribution to subsidiaries of approximately HK\$0.5 million (2019: HK\$0.2 million).

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2020, the Group pledged its bank balances of approximately HK\$9.6 million (2019: HK\$9.8 million) to a bank for card settlement services provided to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group employed a total of 36 full-time and 13 part-time employees (2019: 43 full-time and 9 part-time employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$23.5 million for the year ended 31 March 2020 (2019: HK\$25.9 million). Remuneration is determined with reference to factors such as comparable market salaries and the performance, time commitment and responsibilities of each individual. Employees are provided with relevant in-house and/or external trainings from time to time. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group. The Company has adopted a share option scheme (the "**Share Option Scheme**") on 3 December 2014 under which the Company may grant share options to eligible employees for subscribing shares of the Company.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 March 2020 (the "**AGM**") will be held on Friday, 25 September 2020. A notice convening the meeting will be issued and sent to the Shareholders in due course.

DIVIDENDS

Details of the dividends declared and distributed by the Company during the year ended 31 March 2020 are set out in note 8.

No dividend was proposed for the Shareholders in respect of the year ended 31 March 2020.

As far as the Company is aware, as at the date of this announcement, there was no arrangement under which any Shareholder has waived or agreed to waive any dividend proposed to be distributed for the year ended 31 March 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 22 September 2020 to Friday, 25 September 2020, both dates inclusive, during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m on Monday, 21 September 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities, save for the Share Buy-back Agreement entered into between the Company and the Vendor on 19 March 2020.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a good corporate governance standard, with the chairman being primarily responsible for establishing relevant practices and procedures. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate its business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen accountability to the Shareholders and creditors. Therefore, the Board has reviewed and will continue to review and improve the Company's corporate governance practices from time to time.

The Company adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance and, save as disclosed below, the Board is satisfied that the Company had complied with and is not aware of any deviations from the CG Code during the year ended 31 March 2020.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 March 2020.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 3 December 2014 to provide incentive and/or to reward eligible persons for their contribution to, and continuing efforts to promote the interest of, the Group. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share options were exercised, cancelled or lapsed during the years ended 31 March 2020 and 2019. As at the date of this announcement, there were 4,000,000 outstanding share options in aggregate, of which 3,300,000 share options have vested and are issuable for 3,300,000 ordinary shares of the Company under the Share Option Scheme.

EVENTS AFTER THE REPORTING PERIOD

- (a) On 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, the Buy-back Shares at the total consideration of HK\$10,000,000, equivalent to HK\$0.125 per share. All conditions under the Share Buy-back Agreement have been fulfilled and completion took place on 9 June 2020. The Buy-back Shares have been cancelled on 16 June 2020.

As Rich Unicorn is a substantial shareholder of the Company and thus a connected person of the Company under the GEM Listing Rules, the share buy-back under the Share Buy-back Agreement constitutes a connected transaction for the Company under the GEM Listing Rules. Details of the share buy-back are set out in the Company's announcement dated 19 March 2020 and the Company's circular dated 8 May 2020 respectively.

- (b) On 15 May 2020, the Group entered into a sale and purchase agreement with an independent third party, pursuant to which the Group has agreed to sell its 51% equity interest in Success Guide Limited, the holding company of MS Medicspa Limited which engages in the provision of beauty spa services, and the independent third party has agreed to acquire the same for a consideration of HK\$60,000. The transaction was completed on 1 June 2020.
- (c) Due to the outbreak of the COVID-19 virus in Hong Kong, as a measure to control the spread of the COVID-19 virus, the Hong Kong government announced and implemented on 8 April 2020 restrictions on public gatherings and ordered entertainment venue closures, as well as suspending the operation of beauty parlours for 28 days from 10 April to 7 May 2020. 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. It is expected that the business environment will be challenging in the near term until the spread of the COVID-19 virus is effectively contained.

AUDIT COMMITTEE

The Company had established its audit committee (the "**Audit Committee**") on 3 December 2014 with written terms of reference in compliance with the GEM Listing Rules. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and review the Company's financial information.

The Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung. Mr. Chan Cheong Tat is the chairman of the Audit Committee.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2020 and is of the view that such results complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

SCOPE OF WORK OF MESSRS. MOORE STEPHENS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Company's auditor, Messrs. Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Moore Stephens CPA Limited on the preliminary announcement.

PUBLICATION OF INFORMATION ON WEBSITES

This results announcement is available for viewing on the website of Stock Exchange at www.hkexnews.hk and on the website of the Company at www.medicskin.com. The annual report of the Company for the year ended 31 March 2020 containing the information required by the GEM Listing Rules will be dispatched to the Shareholders in due course.

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

Hong Kong, 22 June 2020

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

This announcement will remain on the "Latest Company Announcements" page of the GEM's website at www.hkgem.com for at least 7 days from the day of its posting. This announcement will also be published on the Company's website at www.medicskin.com.