



INTERIM REPORT

2021/2022

MEDIC  **SKIN**

MEDICSKIN HOLDINGS LIMITED

密迪斯肌控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 8307

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*This report, 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 report 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 report misleading.*

UNAUDITED INTERIM RESULTS

The board of directors (the “**Board**”) of the Company is pleased to report the unaudited interim financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2021 together with the comparative unaudited figures for the corresponding period of last year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 September 2021

	Notes	Three months ended 30 September		Six months ended 30 September	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	2	12,972	10,472	26,618	20,844
Other income, gains and losses	3	76	1,646	408	3,183
Inventories used		(1,867)	(1,715)	(4,098)	(3,405)
Staff costs		(5,982)	(4,671)	(11,591)	(9,329)
Depreciation of right-of-use assets		(1,899)	(1,910)	(3,800)	(3,818)
Depreciation of property, plant and equipment		(562)	(550)	(1,106)	(1,191)
Other expenses		(2,331)	(1,940)	(4,381)	(3,768)
Interest expenses on lease liabilities		(76)	(131)	(148)	(284)
Profit before tax	4	331	1,201	1,902	2,232
Income tax expense	5	-	-	(2)	-
Profit for the period		331	1,201	1,900	2,232
Other comprehensive (loss) income for the period					
Item that may be classified subsequently to profit or loss:					
Exchange differences arising from translation of foreign operations		(1)	(19)	(41)	33
		330	1,182	1,859	2,265

	Notes	Three months ended		Six months ended	
		30 September		30 September	
		2021	2020	2021	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period attributable to:					
Owners of the Company		246	963	1,755	1,836
Non-controlling interests		85	238	145	396
		331	1,201	1,900	2,232
Total comprehensive income attributable to:					
Owners of the Company		245	962	1,739	1,850
Non-controlling interests		85	220	120	415
		330	1,182	1,859	2,265
Earnings per share, basic (HK cent)	7	0.06	0.24	0.44	0.42
Earnings per share, diluted (HK cent)	7	0.06	0.24	0.44	0.42

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Notes	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Non-current assets			
Right-of-use assets	8	9,342	6,196
Property, plant and equipment	9	5,768	5,255
Rental deposits		1,368	1,530
		16,478	12,981
Current assets			
Inventories		2,881	2,825
Financial assets at fair value through profit or loss ("FVTPL")	16	1,189	902
Trade receivables	10	491	321
Deposits and prepayments		2,163	2,100
Tax recoverable		32	32
Pledged bank deposits		10,429	10,253
Bank balances and cash		15,846	29,424
		33,031	45,857
Current liabilities			
Provision for reinstatement costs		300	300
Lease liabilities		4,769	6,058
Contract liabilities		23,788	27,537
Trade payables	11	698	643
Other payables and accrued liabilities		3,197	3,642
Tax payable		8	6
		32,760	38,186
Net current assets		271	7,671
Total assets less current liabilities		16,749	20,652
Non-current liabilities			
Provision for reinstatement costs		300	300
Lease liabilities		4,517	361
		4,817	661
Net assets		11,932	19,991
Capital and reserves			
Share capital	12	3,967	3,967
Reserves		11,299	19,478
Equity attributable to owners of the Company		15,266	23,445
Non-controlling interests		(3,334)	(3,454)
Total equity		11,932	19,991

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Exchange reserve HK\$'000	(Accumulated losses)/ retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
At 1 April 2021 (audited)	3,967	19,630	733	-	(885)	23,445	(3,454)	19,991
Profit for the period	-	-	-	-	1,755	1,755	145	1,900
Other comprehensive loss for the period	-	-	-	(16)	-	(16)	(25)	(41)
Total comprehensive (loss) income for the period	-	-	-	(16)	1,755	1,739	120	1,859
Dividend recognised as distribution (Note 6)	-	(9,918)	-	-	-	(9,918)	-	(9,918)
At 30 September 2021 (unaudited)	3,967	9,712	733	(16)	870	15,266	(3,334)	11,932
At 1 April 2020 (audited)	4,857	31,781	707	(19)	(1,838)	35,488	(5,087)	30,401
Profit for the period	-	-	-	-	1,836	1,836	396	2,232
Other comprehensive income for the period	-	-	-	14	-	14	19	33
Total comprehensive income for the period	-	-	-	14	1,836	1,850	415	2,265
Recognition of equity-settled share-based payments (Note 13)	-	-	26	-	-	26	-	26
Repurchase of shares	(802)	(10,232)	-	-	-	(11,034)	-	(11,034)
Disposal of a subsidiary (Note 14)	-	-	-	-	-	-	1,186	1,186
At 30 September 2020 (unaudited)	4,055	21,549	733	(5)	(2)	26,330	(3,486)	22,844

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

		Six months ended 30 September	
	Notes	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
OPERATING ACTIVITIES			
Cash generated from operations		1,860	5,584
NET CASH FROM OPERATING ACTIVITIES		1,860	5,584
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,619)	(1,507)
Placement of pledged bank deposits		(56)	(149)
Proceeds from disposal of property, plant and equipment		-	200
Net proceeds from disposal of a subsidiary	14	-	213
Interest received		128	426
NET CASH USED IN INVESTING ACTIVITIES		(1,547)	(1,827)
FINANCIAL ACTIVITIES			
Repurchase of shares	12	-	(11,034)
Repayments of lease liabilities		(4,027)	(3,843)
Dividend paid	6	(9,918)	-
NET CASH USED IN FINANCING ACTIVITIES		(13,945)	(14,877)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(13,632)	(11,120)
Effect of foreign exchange rate changes, net		54	33
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		29,424	42,905
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY			
Bank balances and cash		15,846	31,818

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2021

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Group's interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. The principal accounting policies used in the interim financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2021. The interim financial statements are unaudited, but have been reviewed by the audit committee (the "Audit Committee") of the Company.

2. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents revenue arising from the provision of medical consultation services ("Medical Consultation Service"), prescription and dispensing of medication and/or skincare products including sale of skincare products ("Prescription and Dispensing Service") and the provision of skincare treatments ("Treatment Service") during the period.

Disaggregation of revenue from contracts with customers:

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Medical Consultation Service	629	574
Prescription and Dispensing Service	4,938	4,869
Treatment Service	21,051	15,401
	<hr/>	<hr/>
	26,618	20,844



2. **REVENUE AND SEGMENT INFORMATION (Continued)**

The Group's operating activities are attributable to a single operating segment focusing on Medical 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 Kwok Leung ("**Dr. Kong**"), the Director and chief executive officer of the Company, 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 allocate 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

Almost all the Group's operations are located in Hong Kong. Nearly 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 six months ended 30 September 2021 and 2020, none of the Group's customer individually contributed over 10% of the total revenue of the Group.

3. OTHER INCOME, GAINS AND LOSSES

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Government subsidies (Note)	–	1,600
Interest income on bank deposits	128	426
Interest income on rental deposits	73	70
Net foreign exchange gain	203	204
Gain on disposal of property, plant and equipment	–	200
Loss on write-off of property, plant and equipment	–	(7)
Gain on disposal of a subsidiary (Note 14)	–	687
Others	4	3
	408	3,183

Note: The government subsidies include both the Anti-epidemic Fund and the Employment Support Scheme (“ESS”) from the Government of Hong Kong Special Administrative Region of the People’s Republic of China (the “Government”) to provide relief to the Group affected by COVID-19. Under the ESS, the Group was required to undertake and warrant that the Group (i) would not implement redundancies during the subsidy period; and (ii) would and spend all the wages subsidies on paying wages to the employees. These conditions were satisfied during the period.

4. PROFIT BEFORE TAX

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging:		
Cost of inventories recognised as an expense	4,098	3,405
Allowance for inventories (included in cost of inventories)	–	31
Staff costs		
Directors’ emoluments	4,978	3,661
Other staff costs		
– salaries, allowance and other benefits	6,399	5,472
– share-based payments (Note 13)	–	12
– contributions to retirement benefits schemes	214	184
	11,591	9,329

5. INCOME TAX EXPENSE

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2 million of profits of a qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. 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%. Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Six months ended	
30 September	
2021	2020
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Income tax expense comprises of:

Hong Kong Profits Tax		
Current period	-	-
Underprovision in prior periods	2	-
	2	-

6. DIVIDEND

On 21 June 2021, the Board resolved to declare the payment of a special dividend of HK2.5 cents per ordinary share to the shareholders of the Company, amounting to HK\$9,918,000, which was distributed to the shareholders of the Company on 26 July 2021. The special dividend was paid out of the share premium account of the Company pursuant to the articles of association of the Company. Details are set out in the Company's announcement dated 21 June 2021.

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021 (2020: Nil).

7. EARNINGS PER SHARE

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

	Three months ended 30 September		Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Profit for the purpose of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	246	963	1,755	1,836
	'000	'000	'000	'000
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	396,736	405,695	396,736	438,939
Effect of dilutive potential ordinary shares:				
Share options issued by the Company	-	-	-	-
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	396,736	405,695	396,736	438,939

For the three and six months ended 30 September 2021 and 2020, the computation of diluted earnings per share does not assume the exercise of the Company's share options since their exercise price is higher than the average market price of the Company's shares during such periods.

8. RIGHT-OF-USE ASSETS

On 9 June 2021, Medicskin Laboratories Limited (an indirect wholly-owned subsidiary of the Company) (as the lessee) and an independent third party (as the lessor) entered into a lease agreement in relation to the lease renewal of Suite 1201 (12th Floor) of Ocean Centre, Harbour City, Tsim Sha Tsui, Kowloon (the “**Premises**”) commencing from 1 September 2021 to 31 August 2024 (both days inclusive) (the “**Lease Agreement**”) for use as one of the Group’s medical skin care centres in Hong Kong. Pursuant to HKFRS 16 Leases, as a result of the entering into the Lease Agreement, the Group recognised the right-of-use asset of approximately HK\$6.9 million in connection with the Lease Agreement on the consolidated financial statements of the Company. Details of the Lease Agreement are set out in the Company’s announcement dated 9 June 2021.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group acquired property, plant and equipment of HK\$1,619,000 (2020: HK\$1,507,000).

10. TRADE RECEIVABLES

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

	As at 30 September 2021 HK\$’000 (unaudited)	As at 31 March 2021 HK\$’000 (audited)
0-30 days	424	302
31-60 days	5	6
61-90 days	62	13
Total	491	321

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:

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
0-30 days	436	362
31-60 days	–	19
Over 180 days	262	262
	698	643

12. SHARE CAPITAL

The share capital as at 30 September 2021 and 31 March 2021 represented the issued share capital of the Company as detailed below:

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 April 2020, 31 March 2021 and 30 September 2021	1,000,000,000	10,000
Issued:		
As at 1 April 2020	485,736,000	4,857
Repurchase of shares (Notes a & b)	(89,000,000)	(890)
At 31 March 2021 and 30 September 2021	396,736,000	3,967

12. SHARE CAPITAL (Continued)

Notes:

- (a) On 19 March 2020, the Company entered into a share buy-back agreement (the “**Share Buy-back Agreement**”) with Rich Unicorn Holdings Limited (“**Rich Unicorn**”) pursuant to which Rich Unicorn had agreed to sell, and the Company had 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. All conditions under the Share Buy-back Agreement had been fulfilled and completion took place on 9 June 2020. The Buy-back Shares had been cancelled by the Company on 16 June 2020. 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) During the year ended 31 March 2021, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares repurchased	Consideration per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
2020				
July	188,000	0.145	0.145	27
November	1,780,000	0.193	0.182	331
December	2,740,000	0.220	0.195	554
2021				
January	1,020,000	0.260	0.240	261
February	1,400,000	0.265	0.250	361
March	1,872,000	0.265	0.248	482
	9,000,000			2,016

The repurchased shares had been cancelled as at 31 March 2021.

13. SHARE-BASED PAYMENT TRANSACTIONS

Share Option Scheme

The Company adopted a share option scheme (“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.

A summary of the share options granted under the Share Option Scheme are as follows:

Type of Participants	Grant date	Exercise price		Vesting period	Exercise period	Number of share options outstanding as at 1.4.2020, 31.3.2021 and 30.9.2021
		per share				
Directors	15.08.2018	0.433	N/A		15.08.2018 – 14.08.2022	1,000,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019		15.08.2019 – 14.08.2022	1,400,000
	15.08.2018	0.433	15.08.2018 – 14.08.2020		15.08.2020 – 14.08.2022	400,000
Employees	15.08.2018	0.433	N/A		15.08.2018 – 14.08.2022	300,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019		15.08.2019 – 14.08.2022	600,000
	15.08.2018	0.433	15.08.2018 – 14.08.2020		15.08.2020 – 14.08.2022	300,000
						4,000,000

On 15 August 2018, an aggregate of 4,000,000 share options were granted to certain Directors and certain employees of the Group. The closing price of the shares as stated in the Stock Exchange’s daily quotations sheet immediately before the date on which the options were granted (i.e. 14 August 2018) was HK\$0.360. The granted share options were vested over the relevant vesting periods commencing from 15 August 2018 to 14 August 2020.

The estimated fair value of the share options granted on 15 August 2018 was HK\$733,000. The fair value was calculated using the binomial option pricing model.

13. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share Option Scheme (Continued)

The inputs into the model were as follows:

	15 August 2018
Closing share price at date of grant	HK\$0.360
Exercise price	HK\$0.433
Option life	4 years
Expected volatility	85.03%
Dividend yield	0.417%
Risk free interest rate	1.962%

The variables and assumptions used in computing the fair value of the share options were based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options. Expected volatility was determined by historical daily volatilities of the Company's share prices as at the valuation date.

During the six months ended 30 September 2020, the Group recognised HK\$26,000 as an expense in the condensed consolidated statement of profit or loss and other comprehensive income in relation to share options granted by the Company.

No share options were exercised, cancelled or lapsed during the six months ended 30 September 2021 (2020: Nil). As at the date of this report, there were 4,000,000 outstanding share options in aggregate which have vested and are issuable for 4,000,000 ordinary shares of the Company under the Share Option Scheme.

14. DISPOSAL OF A SUBSIDIARY

On 15 May 2020, the Group entered into a sale and purchase agreement (“**S&P Agreement**”) with an independent third party, pursuant to which the Group has agreed to sell its 51% equity interest in an indirectly held subsidiary of the Company, Success Guide Limited (“**Success Guide**”), the holding company of MS Medicspa Limited (“**MS Medicspa**”) which is engaged in the provision of beauty spa services, and the independent third party had agreed to acquire the same for a consideration of HK\$216,000 (being consideration of HK\$60,000 adjusted by the unaudited value of certain assets of Success Guide as at 1 June 2020 in accordance with the terms of the S&P Agreement). The transaction was completed on 1 June 2020.

	<i>HK\$'000</i>
Consideration received:	
Cash	216
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Assets and liabilities at the date of disposal were as follows:

	<i>HK\$'000</i>
Cash	3
Property, plant and equipment	164
Inventories	18
Trade receivables	32
Deposits and prepayments	323
Accrued liabilities	(1)
Amount due to a non-controlling shareholder of a subsidiary	(735)
Contract liabilities	(1,461)
Non-controlling interests	1,186
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Net liabilities disposed	(471)
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Gain on disposal	687
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The gain on disposal of subsidiary is included in “other income, gains and losses” in the condensed consolidated statement of profit or loss and other comprehensive income.

Net cash inflow arising from the disposal:

	<i>HK\$'000</i>
Cash consideration received	216
Cash and cash equivalents disposed of	(3)
<hr/>	
Net inflow of cash and cash equivalents	
Included in cash flows from investing activities	213
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15. RELATED PARTY TRANSACTIONS

(a) Transactions

During the period, the Group entered into the following transactions with related parties:

	Purchase of goods	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Non-controlling shareholder of a subsidiary	–	19

(b) Outstanding balances

As at 30 September 2021 and 31 March 2021, the Group had no outstanding balance with related parties.

(c) Compensation of key management personnel

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term benefits	5,181	3,810
Post-employment benefits	36	35
	5,217	3,845

The remuneration of Directors and key executives is determined having regard to the performance of the individuals.

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key input(s)
	30.9.2021	31.3.2021		
	HK\$'000	HK\$'000		
	(Unaudited)	(Audited)		
Held-for-trading non-derivative financial assets classified as financial assets at FVTPL	1,189	902	Level 1	Quoted bid prices in an active market
– Listed equity investments				

There were no transfers amongst Level 1, Level 2 and Level 3 in the reporting period.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

17. EVENTS AFTER THE REPORTING PERIOD

There was no significant event occurred after the reporting period.



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 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. Most of the clients are long standing customers and have been with the Group for more than 5 years. These are achieved through the provision of:

- (i) *Medical Consultation Service* – performance of medical examination and making a diagnosis of skin conditions of clients through private consultations and making recommendations on the use of skincare products and/or treatment service based on clients’ specific needs, requirements and skin conditions;
- (ii) *Prescription and Dispensing Service* – prescription and dispensing of pharmaceutical products, medicines and/or skincare products to clients; and
- (iii) *Treatment Service* – provision of non-invasive/minimally invasive treatment service for clients, 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.

Since the beginning of the year 2020, the outbreak of the COVID-19 pandemic in Hong Kong has further dampened the Hong Kong economy and weakened the local consumption sentiment as a result of social distancing measures. In last year, as a measure to control the spread of the COVID-19 pandemic, the Government announced and implemented restrictions on public gatherings and ordered closures of various venues, including beauty parlours for certain periods. Despite the fact that the Group's business mainly focuses on medical procedures and medical treatments performed by registered medical practitioners, the Group's revenue was inevitably adversely affected. In view of the prioritisation of the safety of both its clients and employees, the Group's centres have taken preventive measures to promote a safe and hygienic environment for clients and minimise the risk of contracting and spreading the COVID-19 pandemic. To cope with the unfavourable changes in the economic and business environment, the Group has started to provide video Medical Consultation Service and offer delivery services for its skincare and certain medical products.

In this year, although COVID-19 continues to spread around the world, the local epidemic situation in Hong Kong has become more stabilised, and the vaccination rate is increasing steadily, the Government has further relaxed social distancing measures. As a result of improvement in local consumer sentiment following the gradual lifting of COVID-19 containment measures, the revenue of the Group for the six months ended 30 September 2021 increased by HK\$5.8 million, or 27.9%, to HK\$26.6 million, when compared to the six months ended 30 September 2020. The revenue of Medical Consultation Service, Prescription and Dispensing Service and Treatment Service amounted to HK\$0.6 million, HK\$4.9 million and HK\$21.1 million which accounted for 2.4%, 18.5%, and 79.1% of the total revenue of the Group, respectively.

The Group's profit for the period attributable to the owners of the Company remained stable at HK\$1.8 million for the six months ended 30 September 2021 and 2020 as a result of the net effect of (i) the increase in the Group's revenue by HK\$5.8 million, or 27.9%; and (ii) the absence of gain from disposal of a subsidiary of HK\$0.7 million and subsidies received from the Government of HK\$1.6 million (as compared to the last corresponding period) for the six months ended 30 September 2021. Basic earnings per share for the period was HK0.44 cent, representing an increase of 4.8% from that of HK0.42 cent for the last corresponding period.



OUTLOOK

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 technology in the market. The Directors 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 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 this year. Nevertheless, leveraging on an established customer base and renowned reputation in the industry, and the Group's continued efforts in maximising revenue whilst improving operating efficiency, the Directors believe that the Group is able to face the challenges ahead 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, strengthen its market position and identify new business opportunities so as to grow its brand and business and to maximise returns for its investors.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by HK\$5.8 million, or 27.9%, from HK\$20.8 million for the six months ended 30 September 2020 to HK\$26.6 million for the six months ended 30 September 2021. The increase was primarily attributable to the increase in the number of clients served by the Group and the increase in the number of visits by its clients as a result of improvement in local consumer sentiment following the gradual lifting of COVID-19 containment measures.

Other income, gains and losses

Net other income, gains and losses decreased by HK\$2.8 million, or 87.5%, from HK\$3.2 million for the six months ended 30 September 2020 to HK\$0.4 million for the six months ended 30 September 2021. The decrease was primarily attributable to the absence of gain from disposal of a subsidiary of HK\$0.7 million and subsidies received from the Government of HK\$1.6 million (as compared to the last corresponding period) for the six months ended 30 September 2021.

Inventories used

The Group's cost of inventories used was HK\$4.1 million and HK\$3.4 million for the six months ended 30 September 2021 and 2020, respectively, representing 15.4% and 16.3% of the revenue for the respective periods.

Staff costs

Staff costs increased by HK\$2.3 million, or 24.7%, from HK\$9.3 million for the six months ended 30 September 2020 to HK\$11.6 million for the six months ended 30 September 2021. The increase was primarily attributable to the increase in salaries and allowance paid to staff and performance related incentive payments paid to medical practitioners due to the increase in revenue.

Depreciation of right-of-use assets

Depreciation of right-of-use assets remained stable at HK\$3.8 million for the six months ended 30 September 2021 and 2020.



Depreciation of property, plant and equipment

Depreciation of property, plant and equipment remained stable at HK\$1.1 million and HK\$1.2 million for the six months ended 30 September 2021 and 2020, respectively.

Other expenses

Other expenses increased by HK\$0.6 million, or 15.8%, from HK\$3.8 million for the six months ended 30 September 2020 to HK\$4.4 million for the six months ended 30 September 2021 in line with the increase in revenue.

Income tax expense

No provision for Hong Kong profits tax had been made for the six months ended 30 September 2021 and 2020 as the Group either had estimated tax losses brought forward to absorb the estimated assessable profit or had no estimated assessable profit.

Profit for the period

As a result of the foregoing, the profit for the period attributable to owners of the Company remained stable at HK\$1.8 million for the six months ended 30 September 2021 and 2020.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The capital of the Group only comprises ordinary shares.

The total equity of the Group as at 30 September 2021 was HK\$11.9 million (31 March 2021: HK\$20.0 million). The Group generally finances its operation with internally generated cash flows. The Group had bank balances and cash of HK\$15.8 million as at 30 September 2021 (31 March 2021: HK\$29.4 million), with no external borrowing (31 March 2021: Nil). As at 30 September 2021, the Group had net current assets of HK\$0.3 million (31 March 2021: HK\$7.7 million).

Cash generated from operations for the six months ended 30 September 2021 was HK\$1.9 million (six months ended 30 September 2020: HK\$5.6 million). Taking into account the amount of funds expected to be generated internally, the Group will have sufficient financial resources to fund its future plans and to meet its working capital requirement.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

Save as disclosed in Note 16 to the interim financial statements of the Group, during the six months ended 30 September 2021, there was no significant investment held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 September 2021, the Group did not have any plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 September 2021.



COMMITMENTS

As at 30 September 2021, the Group had capital commitments in respect of capital contribution to subsidiaries of HK\$0.6 million (31 March 2021: HK\$0.5 million).

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2021, time deposits amounted to HK\$10.4 million (31 March 2021: HK\$10.3 million) were pledged to a bank for card settlement services.

CONTINGENT LIABILITIES

As at 30 September 2021, the Group did not have material contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

The Group carries out its business in Hong Kong and most of its transactions are denominated in Hong Kong dollars. The Group currently does not have significant foreign currency exposure. The management continually assesses and monitors the foreign exchange exposure and, if necessary, may hedge its foreign exchange exposure by entering forward foreign exchange contracts.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2021, the Group employed a total of 33 full-time and 10 part-time employees (31 March 2021: 35 full-time and 7 part-time employees). The staff costs, including Directors' emoluments, of the Group were HK\$11.6 million for the six months ended 30 September 2021 (six months ended 30 September 2020: HK\$9.3 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 Group has adopted 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.

DISCLOSURE OF INTERESTS

(A) DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise 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 position

(a) Ordinary shares of the Company

Name of Director	Capacity/ Nature of interest	Number of shares	Percentage of issued share capital
Dr. Kong (Note)	Interest in a controlled corporation	274,865,400	69.28%

Note: The 274,865,400 shares of the Company are registered in the name of Topline Worldwide Limited (“**Topline**”), which is wholly-owned by Dr. Kong. Under the SFO, Dr. Kong is deemed to be interested in all the shares of the Company registered in the name of Topline.

(b) Options to subscribe for ordinary shares of the Company

Particulars of the Directors' interests in Share Option Scheme were as follows:

Name of Director	Grant date	Exercise price per share	Vesting period	Exercise period	Number of share options as at 1.4.2021 and 30.09.2021
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
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
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
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
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
					2,800,000

Save as disclosed above, as at 30 September 2021, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise 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) SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2021, the following person (other than a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long position in the ordinary shares of the Company

Name	Capacity/ Nature of interest	Number of shares	Percentage of issued share capital
Topline (Note)	Beneficial owner	274,865,400	69.28%

Note: The entire issued share capital of Topline is beneficially owned by Dr. Kong. Therefore, Dr. Kong is deemed to be interested in all the shares of the Company held by Topline.

Save as disclosed above, as at 30 September 2021, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under section 336 of the SFO.



COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders nor any of their respective close associates (as defined under the GEM Listing Rules) that competes or may compete, either directly or indirectly, with the business of the Group, or of any other conflicts of interest which any such person has or may have with the Group during the six months ended 30 September 2021.

CORPORATE GOVERNANCE CODE

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 six months ended 30 September 2021.

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 with 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 six months ended 30 September 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

Details of the Share Option Scheme are set out in Note 13 to the interim financial statements of the Group.



AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the GEM Listing Rules. 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 unaudited interim financial statements of the Group for the six months ended 30 September 2021 and this report and is of the view that the interim financial statements of the Group for the six months ended 30 September 2021 have complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure had been made.

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

Hong Kong, 11 November 2021

As at the date of this report, 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.