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MEDICSKIN HOLDINGS LIMITED

密迪斯肌控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8307)

MAJOR TRANSACTION IN RELATION TO THE OFFER LETTER IN RELATION TO RENEWAL OF TENANCY

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On 3 January 2022, Medicskin Laboratories Limited (an indirect wholly-owned subsidiary of the Company) as Tenant and New World Tower Company Limited as Landlord (an Independent Third Party) entered into the Offer Letter for renewal of tenancy in respect of the Premises for a term of three years from 23 February 2022 to 22 February 2025 (both days inclusive).

IMPLICATIONS UNDER THE GEM LISTING RULES

In accordance with HKFRS 16 “Leases”, the Group recognises the value of the right-of-use assets on its consolidated statement of financial position in connection with any lease the Group entered into as lease since its adoption which came into effect on 1 April 2019. Accordingly, the Transaction is regarded as an acquisition of asset by the Group for the purpose of the GEM Listing Rules.

As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the value of the right-of-use of the Premises under the Offer Letter exceed 25% but less than 100%, the Transaction constitutes a major transaction and is subject to the reporting, announcement and Shareholders’ approval requirements under Chapter 19 of the GEM Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiry, no Shareholder has a material interest in the Transaction and would be required to abstain from voting for the resolution to approve the Transaction, should the Transaction be put forward to the Shareholders to approve at a general meeting of the Company. Topline, the Controlling Shareholder, which is interested in 274,865,400 Shares, representing 69.28% of the issued share

capital of the Company as at the date of this Announcement, has approved the Transaction by a written shareholder's approval pursuant to Rule 19.44 of the GEM Listing Rules in lieu of a resolution to be passed at a general meeting of the Company. Accordingly, the Company is exempted from the requirement to convene a shareholders' meeting for the approval of the Transaction and no extraordinary general meeting will be convened for the purpose of considering, ratifying and approving the Transaction pursuant to Rule 19.44 of the GEM Listing Rules. Dr. Kong, an executive Director and the chairman of the Board, holds 100% shareholding of Topline.

A circular containing, among other things, details of the Transaction will be despatched to the Shareholders in accordance with the GEM Listing Rules and the articles of association of the Company in due course. The Company currently expects to despatch the circular on or before 24 January 2022.

INTRODUCTION

On 3 January 2022, Medicskin Laboratories Limited (an indirect wholly-owned subsidiary of the Company) as Tenant and New World Tower Company Limited as Landlord (an Independent Third Party) entered into the Offer Letter for renewal of tenancy in respect of the Premises for a term of three years from 23 February 2022 to 22 February 2025 (both days inclusive). The Offer Letter constitutes a valid and binding arrangement between the Tenant and the Landlord, until superseded by the execution of the Tenancy Renewal Agreement, for the renewal of tenancy in respect of the Premises on the terms and conditions as set out in the Offer Letter.

OFFER LETTER

Key terms of the Offer Letter are set out below:

Date : 3 January 2022

Parties : (i) New World Tower Company Limited (as the Landlord)
(ii) Medicskin Laboratories limited (美嬌絲肌科美有限公司) (as the Tenant)

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Landlord and its ultimate beneficial owner(s) are Independent Third Parties.

Premises : The entire twenty-first (21st) floor of New World Tower Two erected on 18 Queen's Road Central, Hong Kong

Term	:	Three years from 23 February 2022 to 22 February 2025 (both days inclusive)
Total lease payments (the “ Consideration ”)	:	HK\$ 14,169,600 in aggregate for a term of three years (monthly rent of HK\$393,600, exclusive of service charge, government rates and other outgoings)
Payable term	:	The rent is payable in advance on the first day of each and every calendar month during the Term.
Deposits	:	HK\$1,341,726, a sum equivalent to three months’ basic rent, service charge and one quarter’s government rates shall be payable by the Tenant to the Landlord.

The Consideration was determined after arm’s length negotiations with the Landlord taking into account various relevant factors more particularly set out in the section headed “Reasons for and benefits of the Offer Letter” below.

The value (unaudited) of the right-of-use asset recognised by the Group under the Offer Letter amounted to approximately HK\$13.3 million, which is the amount of the initial measurement of the lease liability based on the present value of the total lease payments at the inception of the lease term under the Offer Letter in accordance with HKFRS 16 “Leases”. Incremental borrowing rate (as referred to in HKFRS 16) of the Group is applied to discount the total lease payments in order to derive the present value of total lease payments under the Offer Letter.

The Consideration is to be settled by monthly rent payable to the Landlord over the term of the tenancy of three years. The Company intends to finance the Consideration with its internal resources.

REASONS FOR AND BENEFITS OF THE OFFER LETTER

The Group has been leasing the Premises as one of its two medical skin care centres in Hong Kong since 23 February 2016. In evaluating the options of renewal of the existing tenancy or leasing a new centre, the Directors consider that the Premises is strategically located in the Central District of Hong Kong which presents continuous business opportunities, and is convenient and easily accessible by the Group’s potential clients as it is close to most forms of public transport. The Transaction will also continue to sustain the presence of the Group in the prime locations in Hong Kong. The terms of the Offer Letter, including the rental payment, were determined after arm’s length negotiations between the Landlord and the Tenant and with reference to the prevailing market rent for properties of similar type, age and location. The Premises is necessary for continuing the operation of business of the Group for use as a medical skin care centre and the Transaction is in the ordinary and usual course of business of the Group. Having taken into account the above reasons and benefits, the Board therefore considers that the terms of the Offer Letter are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ABOUT THE LANDLORD AND THE GROUP

The Landlord is a limited liability company incorporated in Hong Kong with its principal business being property investment. To the best knowledge of the Directors, the Landlord is a wholly-owned subsidiary of New World Development Company Limited, a company incorporated in Hong Kong with limited liability whose issued shares are listed on the Stock Exchange (stock code: 0017).

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

IMPLICATIONS UNDER THE GEM LISTING RULES

In accordance with HKFRS 16 “Leases”, the Group recognises the value of the right-of-use assets on its consolidated statement of financial position in connection with any lease the Group entered into as lessee since its adoption which came into effect on 1 April 2019. Accordingly, the Transaction is regarded as an acquisition of asset by the Group for the purpose of the GEM Listing Rules.

As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the value of the right-of-use of the Premises under the Offer Letter exceed 25% but less than 100%, the Transaction constitutes a major transaction and is subject to the reporting, announcement and Shareholders’ approval requirements under Chapter 19 of the GEM Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiry, no Shareholder has a material interest in the Transaction and would be required to abstain from voting for the resolution to approve the Transaction, should the Transaction be put forward to the Shareholders to approve at a general meeting of the Company. Topline, the Controlling Shareholder, which is interested in 274,865,400 Shares, representing 69.28% of the issued share capital of the Company as at the date of this announcement, has approved the Transaction by a written shareholder’s approval pursuant to Rule 19.44 of the GEM Listing Rules in lieu of a resolution to be passed at a general meeting of the Company. Accordingly, the Company is exempted from the requirement to convene a shareholders’ meeting for the approval of the Transaction and no extraordinary general meeting will be convened for the purpose of considering, ratifying and approving the Transaction pursuant to Rule 19.44 of the GEM Listing Rules. Dr. Kong, an executive Director and the chairman of the Board, holds 100% shareholding of Topline.

A circular containing, among other things, details of the Transaction will be despatched to the Shareholders in accordance with the GEM Listing Rules and the articles of association of the Company in due course. The Company currently expects to despatch the circular on or before 24 January 2022.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Medicskin Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM of the Stock Exchange (stock code: 8307)
“connected person(s)”	shall have the meaning as ascribed to it under the GEM Listing Rules
“Controlling Shareholder”	shall have the meaning as ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Dr. Kong”	Dr. Kong Kwok Leung, the Controlling Shareholder, an executive Director and the chairman of the Board
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standard
“HKFRS 16”	Hong Kong Financial Reporting Standard 16 “Leases” issued by the Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Party(ies)”	third party independent of and not connected with the Company and its connected persons
“Landlord”	New World Tower Company Limited, a wholly-owned subsidiary of New World Development Company Limited, a company incorporated in Hong Kong with limited liability and whose issued shares are listed on the Stock Exchange (stock code: 0017)
"Offer Letter"	the offer letter entered into between the Tenant and the Landlord on 3 January 2022 for the renewal of the tenancy of the Premises
“Premises”	the premises situated at the entire twenty-first (21st) floor of New World Tower Two erected on 18 Queen’s Road Central, Hong Kong
“percentage ratios”	shall have the meaning ascribed to such term in Chapter 19 of the GEM Listing Rules
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenant”	Medicskin Laboratories Limited (美嫡絲肌科美有限公司), a company incorporated in Hong Kong with limited liability, is an indirect wholly-owned subsidiary of the Company
“Tenancy Renewal Agreement”	the tenancy renewal agreement to be entered into between the Tenant and the Landlord in respect of the renewal of the Premises
“Topline”	Topline Worldwide Limited, a company incorporated in the British Virgin Islands with limited liability and the Controlling Shareholder, which is wholly and beneficially owned by Dr. Kong
“Transaction”	the transaction contemplated under the Offer Letter

“%”

per cent.

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

Hong Kong, 3 January 2022

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

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

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