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EDS WELLNESS HOLDINGS LIMITED

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8176)

FINAL RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

This announcement, for which the directors of EDS Wellness Holdings Limited (the "Company") collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange 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.

RESULTS

The board of directors (the "**Board**") of the Company announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 31 December 2014 together with the comparative figures for the corresponding year ended 30 June 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2014

	Notes	**(Six months) 01.07.2014 to 31.12.2014** ***HK$'000***	(Twelve months) 01.07.2013 to 30.06.2014 *HK$'000*
Continuing operations			
Turnover	*5*	**22,084**	27,582
Cost of sales		**(15,155)**	(16,597)
Gross profit		**6,929**	10,985
Other income	*7*	**3,408**	4,949
Selling and distribution costs		**(942)**	(996)
Administrative expenses		**(7,922)**	(18,325)
Impairment loss in respect of other receivables		**(46,519)**	(80)
Loss from operations	*8*	**(45,046)**	(3,467)
Finance costs	*9*	**(1,170)**	(6,664)
Loss before taxation		**(46,216)**	(10,131)
Income tax expense	*10*	**(827)**	(487)
Loss for the period/year from continuing operations		**(47,043)**	(10,618)
Discontinued operations			
Profit for the period/year from discontinued operations		**—**	—
Loss for the period/year		**(47,043)**	(10,618)
Other comprehensive income for the period/year, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**1**	1
Other comprehensive income for the period/year		**1**	1
Total comprehensive expenses for the period/year		**(47,042)**	(10,617)
Loss for the period/year attributable to:			
Owners of the Company		**(48,939)**	(11,768)
Non-controlling interests		**1,896**	1,150
		(47,043)	(10,618)

	Note	(Six months) 01.07.2014 to 31.12.2014 HK$'000	(Twelve months) 01.07.2013 to 30.06.2014 HK$'000
Total comprehensive expenses for the period/year attributable to:			
Owners of the Company		**(48,938)**	(11,767)
Non-controlling interests		**1,896**	1,150
		(47,042)	(10,617)
Loss per share	*11*		
From continuing operations			
Basic and diluted		**HK(78.71) cents**	HK(89.68) cents
From discontinued operations			
Basic and diluted		**N/A**	N/A
From continuing and discontinued operations			
Basic and diluted		**HK(78.71) cents**	HK(89.68) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	31.12.2014 HK$'000	30.06.2014 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**12,649**	14,846
Intangible asset		**—**	—
Goodwill		**18,266**	18,266
Restricted bank deposits		**—**	7,147
		30,915	40,259
Current assets			
Inventories		**1,923**	2,614
Trade receivables	*12*	**5,546**	5,238
Deposits, prepayments and other receivables	*13*	**5,728**	50,614
Restricted bank deposits		**19,701**	12,516
Cash and cash equivalents		**26,553**	30,633
		59,451	101,615
Total assets		**90,366**	141,874
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**7,480**	1,312
Reserves		**37,819**	(2,231)
Equity attributable to owners of the Company		**45,299**	(919)
Non-controlling interests		**3,757**	1,861
Total equity		**49,056**	942
LIABILITES			
Current liabilities			
Amount due to a former director		**64**	64
Trade payables	*14*	**210**	399
Accruals and other payables		**5,080**	10,185
Other borrowings		**3,850**	1,833
Promissory notes		**6,069**	12,718
Tax payable		**1,502**	613
Deposits from customers		**80**	94
Deferred revenue		**24,000**	21,869
Obligations under finance leases		**444**	588
		41,299	48,363

	31.12.2014	30.06.2014
	HK$'000	*HK$'000*
Non-current liabilities		
Other borrowings	**—**	61,000
Convertible bonds	**—**	29,712
Obligations under finance leases	**11**	160
Deferred taxation	**—**	1,697
	11	92,569
Total liabilities	**41,310**	140,932
Net current assets	**18,152**	53,252
Total assets less current liabilities	**49,067**	93,511

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2014

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000 (Note a)	Contributed surplus HK$'000 (Note b)	Convertible bonds reserve HK$'000 (Note c)	Translation reserve HK$'000 (Note d)	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2013	131,220	175,357	22,734	—	—	9	(327,406)	1,914	—	1,914
Loss for the year	—	—	—	—	—	—	(11,768)	(11,768)	1,150	(10,618)
Other comprehensive income for the year:										
Exchange differences on translating foreign operations	—	—	—	—	—	1	—	1	—	1
Total comprehensive expenses for the year	—	—	—	—	—	1	(11,768)	(11,767)	1,150	(10,617)
Non-controlling interests arising on the acquisition of a subsidiary	—	—	—	—	—	—	—	—	711	711
Capital reduction	(129,908)	—	—	129,908	—	—	—	—	—	—
Share premium cancellation	—	(175,357)	—	175,357	—	—	—	—	—	—
Amount transfer from contributed surplus to accumulated losses	—	—	—	(278,124)	—	—	278,124	—	—	—
Recognition of the equity component of convertible bonds	—	—	—	—	10,699	—	—	10,699	—	10,699
Deferred tax on convertible bonds	—	—	—	—	(1,765)	—	—	(1,765)	—	(1,765)
At 30 June 2014 and 1 July 2014	1,312	—	22,734	27,141	8,934	10	(61,050)	(919)	1,861	942
Loss for the period	—	—	—	—	—	—	(48,939)	(48,939)	1,896	(47,043)
Other comprehensive income for the period:										
Exchange differences on translating foreign operations	—	—	—	—	—	1	—	1	—	1
Total comprehensive expenses for the period	—	—	—	—	—	1	(48,939)	(48,938)	1,896	(47,042)
Conversion of convertible bonds	4,000	36,658	—	—	(8,934)	—	—	31,724	—	31,724
Open offer of new shares	1,906	55,277	—	—	—	—	—	57,183	—	57,183
Placing of new shares	262	7,991	—	—	—	—	—	8,253	—	8,253
Share issue expenses	—	(2,004)	—	—	—	—	—	(2,004)	—	(2,004)
Transfer to accumulated losses upon disposal of a subsidiary	—	—	(22,734)	—	—	—	22,734	—	—	—
At 31 December 2014	**7,480**	**97,922**	**—**	**27,141**	**—**	**11**	**(87,255)**	**45,299**	**3,757**	**49,056**

Notes:

(a) Merger reserve

The merger reserve of the Group represents the differences between the carrying amount of the share capital and share premium of Blu Spa Group Limited at the date on which it was acquired by the Company and the nominal amount of the Company's share issued in exchange pursuant to the group reorganisation. Blu Spa Group Limited had been disposed during the period and therefore the merger reserve had been transferred to accumulated losses.

(b) Contributed surplus

Pursuant to the Company Act 1981 of Bermuda and the special resolution passed at the extraordinary general meeting held on 28 February 2013, transfer a sum of HK$175,357,000 from share premium account to the contributed surplus account was approved. The directors of the Company further approved to transfer a sum of HK$278,124,000 from contributed surplus account to accumulated losses account for the purpose of setting off against the accumulated losses.

(c) Convertible bonds reserve

The convertible bonds reserve represents the value of the unexercised equity component of convertible bonds issued by the Company.

(d) Translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the translation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The Company was incorporated in the Cayman Islands and with effect from 22 April 2014, the Company deregistered in the Cayman Islands and continued in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange. The addresses of the registered office and the principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Unit 3811, 38/F., Shun Tak Centre, West Tower, 168–200 Connaught Road Central, Hong Kong respectively.

The consolidated financial statements are presented in units of thousands of Hong Kong dollars (**HK$'000**), unless otherwise stated, which is the same as the functional currency of the Company.

The Company is an investment holding company and the principal activities of its principal subsidiaries are developing, distributing and marketing of personal care treatments, products and services.

2. Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which is a collective term that includes all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations ("**Int**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), and accounting principles generally accepted in Hong Kong except for non-consolidation of certain subsidiaries of the Group as explained below. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. 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 these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 and measurement that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for asset or liability.

Investments in unconsolidated subsidiaries

The consolidated financial statements were prepared based on the books and records maintained by the Company and its subsidiaries. However, the directors and management of certain subsidiaries of the Company, namely, Blu Spa (Hong Kong) Limited ("**BSHK**") and its subsidiaries (the "**BSHK Group**"), Blu Spa International Limited and Blu Spa Management Services Limited (together, "**Unconsolidated Subsidiaries**") have not provided complete documentary information and reasonable explanation in respect of the transactions asserted to have been undertaken since 1 July 2011. The directors of the Company have not been able to obtain complete documentary information to satisfy themselves regarding the accounting treatments in respect of those transactions since then.

On 19 February 2013, the Board announced that the sole director of BSHK proposed to voluntarily wind-up BSHK and appointed Messrs. Osman Mohammed Arab and Wong Kwok Keung as joint and several provisional liquidators. The notice of appointment of joint and several liquidators were published on the government gazette on 26 February 2013. Upon the appointment of the liquidators, the assets of BSHK will be realised, where possible and appropriate. The estimated loss to the Group arising from the winding-up of BSHK will be approximately HK$1.2 million. Details of which were set out in the Company's announcement dated 19 February 2013.

As set out in the Company's announcement dated 9 April 2013, regarding the result of the Company's engagement of an independent professional firm to investigate and comment on the reasons of the resignation of the former auditors of the Group and the basis for disclaimer of opinion in respect of the Group's consolidated financial statements for the year ended 30 June 2011 (the "**Forensic Investigation**") and the findings of the Forensic Investigation indicate that there were possible irregularities in respect of a considerable number of past transactions and possible misstatements of certain transactions and balances recorded in the books and records of the Group which mainly concern the Group's operation involving the BSHK Group.

Given these circumstances, the directors of the Company have not consolidated the financial statements of the Unconsolidated Subsidiaries in these consolidated financial statements. As such, the results, assets and liabilities of the Unconsolidated Subsidiaries have not been included into the consolidated financial statements of the Group since 1 July 2011. At 30 June 2014, the amounts due from the Unconsolidated Subsidiaries to the Group of HK$241,426,000 of which impairment loss of HK$80,000 was recognised during the year and accumulated impairment losses of approximately HK$241,426,000 was recorded. In addition, the Group recorded amounts due to the Unconsolidated Subsidiaries of approximately HK$1,309,000 at 30 June 2014.

In the opinion of the directors of the Company, the consolidated financial statements for the year ended 30 June 2014 was prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid incomplete books and records of the Unconsolidated Subsidiaries and result of the Forensic Investigation.

On 19 December 2014, the Company entered into a sale and purchase agreement to dispose of the entire issued share capital of Blu Spa Group Limited ("**BSG**") to Koffman Investment Limited ("**KIL**"), the issued share of which is 50% owned by Mr. Yu Zhen Hua, Johnny ("**Mr. Yu**"), the chairman and a director of the Company, who resigned on 19 January 2015 at a cash consideration of HK$1.00. BSG is the intermediate holding company of the Unconsolidated Subsidiaries. The disposal was completed on 19 December 2014. Given these circumstances, the Company presented the amounts due from Unconsolidated Subsidiaries as other receivables at 31 December 2014.

Change of financial year-end date

During the current financial period, the reporting period end date of the Group was changed from 30 June to 31 December because the directors of the Company determined to bring the annul reporting period end date of the Group in line with that of the ultimate holding company. Accordingly, the consolidated financial statements for the current period covered the six months period ended 31 December 2014. The corresponding comparative amounts shown on the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and related notes covered a twelve months period from 1 July 2013 to 30 June 2014 and therefore may not be comparable with amounts shown for current period.

3. **Application of new and revised Hong Kong Financial Reporting Standards (the "HKFRSs")**

In the current period, the Group has applied for the first time, the following new and revised standards and Int issued by the HKICPA (collectively referred to as "**new and revised HKFRSs**"), which are effective for the Group's financial period beginning on 1 July 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions
HKAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) — Int 21	Levies

The Group has early applied the amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*, which is effective for annual periods beginning on or after 1 January 2014, in the financial year ended 30 June 2014.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 *investment entities*

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current period. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 *offsetting financial assets and financial liabilities*

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current period. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 39 *novation of derivatives and continuation of hedge accounting*

The Group has applied the amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* for the first time in the current period. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK (IFRIC) — int 21 *levies*

The Group has applied HK(IFRIC) — Int 21 *Levies* for the first time in the current period. HK(IFRIC) — Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC) — Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 19 *defined benefit plans: employee contributions*

The Group has applied the amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions* for the first time in the current period. The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The amendments have been applied retrospectively. As the Group does not have any defined benefit plans, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Annual improvements to HKFRSs 2010–2012 cycle

The Group has applied the *Annual Improvements to HKFRSs 2010–2012 Cycle* for the first time in the current period. The *Annual Improvements to HKFRSs 2010–2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value of each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to HKFRS 3 are effective for business combination for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusion of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of the discounting is immaterial. As the amendments do not contain any effect date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendment to HKAS 24 clarifies that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The application of these amendments has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Annual improvements to HKFRS 2011–2013 cycle

The Group has applied the *Annual Improvements to HKFRSs 2011–2013 Cycle* for the first time in the current period. The *Annual Improvements to HKFRSs 2011–2013 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The application of these amendments has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Save as described above, the application of the above new and revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

4. New and revised HKFRSs in issue but not yet effective

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle[1]
HKFRS 9	Financial Instruments[3]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKAS 1 (Amendments)	Disclosure Initiative[1]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

5. Turnover

	01.07.2014 to 31.12.2014	01.07.2013 to 30.06.2014
	HK$'000	*HK$'000*
Sale of beauty products	**1,648**	16,537
Provision of therapy services	**20,436**	11,045
	22,084	27,582

6. **Operating segments**

The Group's reportable segments have been determined based on the information reported to the chairman of the Board, being the chief operating decision maker, that are used for performance assessment and to make strategic decisions. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's reportable segments represents a strategic business unit that offer products and services which are subject to risks and returns that are different from those of other reportable segments. The Group currently has two reportable segments:

(a) Sale of beauty products

(b) Provision of therapy services

The segment of sale of beauty equipment was discontinued in the current period.

An Analysis of the Group's revenue, results, assets, liabilities and other selected financial information for the six months ended 31 December 2014 and for the year ended 30 June 2014 by reportable segment is as follows:

For the six months ended 31 December 2014

	Continuing operations			**Discontinued operations**	
	Sale of beauty products *HK$'000*	**Provision of therapy services** *HK$'000*	**Sub-total** *HK$'000*	**Sale of beauty equipment** *HK$'000*	**Consolidated** *HK$'000*
Revenue					
Segment revenue	**1,648**	**20,436**	**22,084**	**—**	**22,084**
Results					
Segment (loss)/profit	**(547)**	**6,534**	**5,987**	**—**	**5,987**
Interest income on bank deposits *(note 7)*			**64**	**—**	**64**
Unallocated corporate income			**1,626**	**—**	**1,626**
Unallocated corporate expenses			**(7,599)**	**—**	**(7,599)**
Gain on disposal of a subsidiary *(note 7)*			**1,359**	**—**	**1,359**
Gain on disposal of property, plant and equipment *(note 7)*			**9**	**—**	**9**
Impairment loss recognised in respect of other receivables *(note 8)*			**(46,519)**	**—**	**(46,519)**
Imputed interest on convertible bonds *(note 9)*			**(376)**	**—**	**(376)**
Imputed interest on promissory notes *(note 9)*			**(351)**	**—**	**(351)**
Reversal of impairment loss recognised in respect of intangible asset *(note 7)*			**350**	**—**	**350**
Written down of property, plant and equipment *(note 8)*			**(322)**	**—**	**(322)**
Written off of inventories *(note 8)*			**(1)**	**—**	**(1)**
Finance costs			**(443)**	**—**	**(443)**
Loss before taxation			**(46,216)**	**—**	**(46,216)**
Income tax expense *(note 10)*			**(827)**	**—**	**(827)**
Loss for the period			**(47,043)**	**—**	**(47,043)**

At 31 December 2014

	Continuing operations			Discontinued operations	
	Sale of beauty products *HK$'000*	Provision of therapy services *HK$'000*	Sub-total *HK$'000*	Sale of beauty equipment *HK$'000*	Consolidated *HK$'000*
Assets and liabilities					
Assets					
Segment assets for reportable segments	**751**	**17,602**	**18,353**	**—**	**18,353**
Unallocated corporate assets					**72,013**
Consolidated total assets					**90,366**
Liabilities					
Segment liabilities for reportable segments	**(135)**	**(25,110)**	**(25,245)**	**—**	**(25,245)**
Unallocated corporate liabilities					**(16,065)**
Consolidated total liabilities					**(41,310)**

For the six months ended 31 December 2014

	Continuing operations			Discontinued operations		
	Sale of beauty products *HK$'000*	Provision of therapy services *HK$'000*	Sub-total *HK$'000*	Sale of beauty equipment *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Other segment information						
Amount included in the measure of segment (loss)/profit and segment assets						
Additions to property, plant and equipment	**—**	**326**	**326**	**—**	**141**	**467**
Depreciation	**—**	**929**	**929**	**—**	**1,392**	**2,321**

For the year ended 30 June 2014

	Continuing operations			Discontinued operations	
	Sale of beauty products *HK$'000*	Provision of therapy services *HK$'000*	Sub-total *HK$'000*	Sale of beauty equipment *HK$'000*	Consolidated *HK$'000*
Revenue					
Segment revenue	16,537	11,045	27,582	—	27,582
Results					
Segment profit	5,634	4,355	9,989	—	9,989
Interest income on bank deposits *(note 7)*			16	—	16
Unallocated corporate income			4,750	—	4,750
Unallocated corporate expenses			(16,487)	—	(16,487)
Gain on disposal of property, plant and equipment *(note 7)*			183	—	183
Imputed interest on convertible bonds *(note 9)*			(411)	—	(411)
Imputed interest on promissory notes *(note 9)*			(326)	—	(326)
Loss on disposal of property, plant and equipment *(note 8)*			(1,816)	—	(1,816)
Written down of property, plant and equipment *(note 8)*			(8)	—	(8)
Written off of deposits *(note 8)*			(6)	—	(6)
Written off of inventories *(note 8)*			(6)	—	(6)
Written off of trade receivables *(note 8)*			(2)	—	(2)
Impairment loss recognised in respect of other receivables *(note 8)*			(80)	—	(80)
Finance costs			(5,927)	—	(5,927)
Loss before taxation			(10,131)	—	(10,131)
Income tax expense *(note 10)*			(487)	—	(487)
Loss for the year			(10,618)	—	(10,618)

At 30 June 2014

	Continuing operations			Discontinued operations	
	Sale of beauty products	Provision of therapy services	Sub-total	Sale of beauty equipment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities					
Assets					
Segment assets for reportable segments	2,225	16,819	19,044	—	19,044
Unallocated corporate assets					122,830
Consolidated total assets					141,874
Liabilities					
Segment liabilities for reportable segments	(215)	(22,911)	(23,126)	—	(23,126)
Unallocated corporate liabilities					(117,806)
Consolidated total liabilities					(140,932)

For the year ended 30 June 2014

	Continuing operations			Discontinued operations		
	Sale of beauty products	Provision of therapy services	Sub-total	Sale of beauty equipment	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information						
Amount included in the measure of segment profit/(loss) and segment assets						
Additions to property, plant and equipment	—	3,557	3,557	—	8,079	11,636
Depreciation	—	503	503	—	2,221	2,724

Segment revenue reported above represents revenue generated from external customer. There were no inter-segment sales in the current period (for the year ended 30 June 2014: Nil).

Segments results represent (loss incurred)/profit earned by each segment without allocation of central administration costs including directors' emoluments, other income, finance costs and income tax expense. This is the measure reported to the chief operation decision makers for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

— all assets are allocated to reportable segments other than intangible asset and goodwill that are not attributable to individual segments. Assets used jointly by individual segments are allocated on the basis of the revenues earned by individual segments; and

— all liabilities are allocated to reportable segments other than amount due to a former director, current tax liabilities, deferred taxation and other financial liabilities that are not attributable to individual segments.

Geographical information

The Group mainly operates in Hong Kong. The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Continuing operations Revenue from external customers		Discontinued operations Revenue from external customers		Continuing operations Non-current assets		Discontinued operations Non-current assets	
	For the six months ended 31 December 2014	For the year ended 30 June 2014	**For the six months ended 31 December 2014**	For the year ended 30 June 2014	**At 31 December 2014**	At 30 June 2014	**At 31 December 2014**	At 30 June 2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**22,084**	27,582	**—**	—	**30,911**	40,254	**—**	—
The People's Republic of China (the "**PRC**")	**—**	—	**—**	—	**4**	5	**—**	—
	22,084	27,582	**—**	—	**30,915**	40,259	**—**	—

Information about major customers

No single customer contributed 10% or more to the Group's revenue for the six months ended 31 December 2014 (for the year ended 30 June 2014: Nil).

7. Other income

	01.07.2014 to 31.12.2014	01.07.2013 to 30.06.2014
	HK$'000	*HK$'000*
Interest income on bank deposits	**64**	16
Gain on disposal of property, plant and equipment	**9**	183
Gain on disposal of a subsidiary	**1,359**	—
Other interest income *(note 13)*	**1,578**	4,733
Reversal of impairment loss recognised in respect of intangible asset	**350**	—
Sundry income	**48**	17
	3,408	4,949

8. Loss from operations

Loss from operations has been arrived at after charging:

	01.07.2014 to 31.12.2014	01.07.2013 to 30.06.2014
	HK$'000	*HK$'000*
Auditors' remuneration	**500**	620
Depreciation of property, plant and equipment	**2,321**	2,724
Loss on disposal of property, plant and equipment	**—**	1,816
Impairment loss recognised in respect of other receivables	**46,519**	80
Operating lease rentals in respect of rental premises	**3,104**	4,708
Staff costs including directors' emoluments		
— salaries and other allowances	**7,875**	8,624
— contributions to retirement benefit scheme	**251**	324
	8,126	8,948
Written down of property, plant and equipment	**322**	8
Written off of deposits *(note 13)*	**—**	6
Written off of inventories	**1**	6
Written off of trade receivables *(note 12)*	**—**	2

9. Finance costs

	01.07.2014 to 31.12.2014	01.07.2013 to 30.06.2014
	HK$'000	*HK$'000*
Imputed interest on convertible bonds	**376**	411
Imputed interest on promissory notes	**351**	326
Interest on finance leases	**44**	28
Interest on other borrowings wholly payable within 5 years	**399**	5,899
	1,170	6,664

10. Income tax expense

Income tax expense recognised in the consolidated statement of profit or loss and other comprehensive income:

	01.07.2014 to 31.12.2014 *HK$'000*	01.07.2013 to 30.06.2014 *HK$'000*
Current tax expense:		
Hong Kong	**(889)**	(555)
Deferred taxation	**62**	68
	(827)	(487)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the period/year.

A PRC subsidiary is subject to the PRC Enterprise Income Tax at 25% for the period/year. No provision for the PRC Enterprise Income Tax has been made for the six months ended 31 December 2014 (for the year ended 30 June 2014: Nil).

11. Loss per share

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

From continuing and discontinued operations

Loss	**01.07.2014 to 31.12.2014** *HK$'000*	01.07.2013 to 30.06.2014 *HK$'000*
Loss for the period/year attributable to owners of the Company	**(48,939)**	(11,768)

Number of ordinary shares	**01.07.2014 to 31.12.2014** *'000*	01.07.2013 to 30.06.2014 *'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**62,175**	13,122

From continuing operations

Loss	**01.07.2014 to 31.12.2014** ***HK$'000***	01.07.2013 to 30.06.2014 *HK$'000*
Loss for the period/year attributable to owners of the Company	**(48,939)**	(11,768)

Number of ordinary shares	**01.07.2014 to 31.12.2014** ***'000***	01.07.2013 to 30.06.2014 *'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**62,175**	13,122

From discontinued operations

Loss	**01.07.2014 to 31.12.2014** ***HK$'000***	01.07.2013 to 30.06.2014 *HK$'000*
Loss for the period/year attributable to owners of the Company	**—**	—

Number of ordinary shares	**01.07.2014 to 31.12.2014** ***'000***	01.07.2013 to 30.06.2014 *'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**62,175**	13,122

Diluted loss per share for the six months ended 31 December 2014 was the same as the basic loss per share as there was no diluting event.

Diluted loss per share for the year ended 30 June 2014 was the same as the basic loss per share as the Company's outstanding convertible bonds were anti-dilutive and had no dilutive effect.

12. Trade receivables

The Group assesses the credit status and imposes credit limits for the customers in accordance with the Group's credit policy. The credit limits are closely monitored and subject to periodic reviews.

The Group allows credit period ranging from 0 day to 120 days to its customers. Details of the ageing analysis of trade receivables that are not considered to be impaired and based on the invoice dates are as follows:

	31.12.2014	30.06.2014
	HK$'000	*HK$'000*
0–30 days	**3,979**	4,229
31–60 days	**1,057**	861
61–90 days	**428**	68
91–120 days	**82**	75
Over 120 days	**—**	7
	5,546	5,240
Less: written off as uncollectible *(note 8)*	**—**	(2)
	5,546	5,238

At 31 December 2014, the Company had no trade receivables past due but not impaired. Trade receivables disclosed above include amounts which are past due at 30 June 2014 for which the Group had written off of HK$2,000 as uncollectible during the year ended 30 June 2014 and the remaining had not been recognised as allowance for doubtful debts because there had not been a significant change in credit quality and the amounts were still considered recoverable at 30 June 2014. The Group did not hold any collateral over the balances.

13. Deposits, prepayments and other receivables

	31.12.2014	30.06.2014
	HK$'000	*HK$'000*
Deposits paid	**2,238**	2,288
Less: written off as uncollectible *(note 8)*	**—**	(6)
	2,238	2,282
Prepayments	**871**	409
Other receivables *(Notes a and b)*	**290,558**	47,923
Less: impairment loss recognised	**(287,939)**	—
	2,619	47,923
Amounts due from the Unconsolidated Subsidiaries *(Note b)*	**—**	241,426
Less: impairment loss recognised	**—**	(241,426)
	—	—
	5,728	50,614

Notes:

(a) On 30 April 2010, BSHK entered into a sale and purchase agreement with Mr. Shum Yeung ("**Mr. Shum**"), pursuant to which BSHK had agreed to acquire (a) 70% of the entire issued share capital of an entity and (b) a shareholder's loan to such entity at a total consideration of HK$80,000,000.

The acquisition did not proceed and the Group has entered into various deed of termination and deeds of settlement with Mr. Shum and a deed of guarantee with Dutfield International Group Company Limited ("**Dutfield**") in relation to the repayment of the refundable deposit. As Mr. Shum defaulted in the full repayment of the refundable deposit and the accrued contractual interest despite repeated demands and requests, the Company had obtained a judgment against Mr. Shum pursuant to which it was adjudged, inter alia, that Mr. Shum shall pay to the Company the sum of HK$39,127,500 (being the amount of the outstanding and unpaid refundable deposit) together with contractual interest at the rate of 30% per annum from 1 May 2013 to 6 September 2013 and thereafter at judgment rate pursuant to s.48 of the High Court Ordinance until payment. As at 31 December 2014, the aggregate amount of the outstanding and unpaid refundable deposit and the accrued interest was approximately HK$46.5 million. Since (i) Mr. Shum failed to settle the judgment debt and the accrued interest and commenced various legal actions to prevent the Company from recovering the judgment debt and the accrued interest including a fresh legal action as announced by the Company in its announcement dated 23 January 2015; (ii) it was unclear whether and when the Company would be able to receive the judgment debt and the accrued interest in full from selling (1) the charged shares in Mr. Shum's companies; and (2) the charged properties as those properties were held by Mr. Shum and another individual as joint tenants and subject to mortgages given that the Company did not have the information of the financial status of Mr. Shum and his companies, the amount of Mr. Shum's interest in the charged properties and the outstanding loan amounts under the mortgages; and (iii) the ability of Dutfield to fulfil its obligations under the guarantee depended on the outcome of the legal proceedings for, inter alia, its claim for the sum of HK$141,360,000 under a loan agreement but Dutfield failed to obtain a summary judgment against the debtor and the outcome of the legal proceedings was uncertain, the Company decided to recognize an impairment on the judgment debt and the accrued interest in the aggregate amount of approximately HK$46.5 million. For further details, please refer to the Company's announcements dated 5 April 2012, 4 July 2012, 24 July 2012, 3 August 2012, 21 August 2012, 28 September 2012, 26 October 2012, 1 November 2012, 21 December 2012, 29 January 2013, 25 April 2013, 3 May 2013, 12 January 2015 and 23 January 2015 and the sub-section headed "Litigation" in the section headed "Management Discussion and Analysis" of the annual report dated 18 September 2014 for the year ended 30 June 2014 of the Company.

(b) At 30 June 2014, included in "Deposits, prepayments and other receivables" of the Group was the amounts due from the Unconsolidated Subsidiaries amounting to approximately HK$241,426,000 and accumulated impairment loss of approximately HK$241,426,000 of which HK$80,000 was recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 30 June 2014. As set out in note 2, the Unconsolidated Subsidiaries was de-consolidated with effect from 1 July 2011. Accordingly, the amounts due from the Unconsolidated Subsidiaries were reclassified from intercompany balances to the amounts due from the Unconsolidated Subsidiaries in the consolidated financial statements and above mentioned impairment loss was recognised. The amounts due from the Unconsolidated Subsidiaries were non-interest bearing, unsecured and repayable on demand. On 19 December 2014, the Company entered into a sale and purchase agreement to dispose of the entire issued share capital of BSG to KIL at a cash consideration of HK$1.00. BSG was the intermediate holding company of the Unconsolidated Subsidiaries. The disposal was completed on 19 December 2014. Given these circumstances, the Group presented the amounts due from Unconsolidated Subsidiaries and the respective accumulated impairment losses as other receivables and the accumulated impairment losses on other receivables for the year ended 31 December 2014 respectively.

14. Trade payables

	The Group	
	31.12.2014	30.06.2014
	HK$'000	*HK$'000*
Trade payables	**210**	399

The following is an analysis of trade payables by age based on the invoice dates:

	The Group	
	31.12.2014	30.06.2014
	HK$'000	*HK$'000*
0–30 days	**177**	366
31–60 days	**—**	—
61–90 days	**—**	33
91–120 days	**—**	—
Over 120 days	**33**	—
	210	399

15. Commitments

Lease commitments

The group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	The Group	
	31.12.2014	30.06.2014
	HK$'000	*HK$'000*
Within one year	**4,096**	6,104
In the second to fifth year inclusive	**415**	1,503
	4,511	7,607

Operating lease payments represent rentals paid or payable by the Group for its office and retail shops premises. Leases are mainly negotiated for an average terms of one to three years.

Rentals are fixed over the guarantee rental or a sales level based on the higher of a minimum guarantee rental or a sales level based rental. The minimum guaranteed rental has been used to compute the above comment.

16. Material related party transactions

Save as disclosed in amounts due from the Unconsolidated Subsidiaries (note 13), amount due to a former director, amounts due to the Unconsolidated Subsidiaries and elsewhere to the consolidated financial statements, the Group entered into the following material transactions with related parties during the period/year:

Name of parties	Nature of transactions	**31.12.2014** *HK$'000*	30.06.2014 *HK$'000*
BSHK *(Note a)*	Legal and professional fee paid on behalf	**—**	80
Hong Kong Builders Finance Limited ("**Hong Kong Builders**") *(Note b)*	Interest on other borrowings	**384**	433
KIL *(Note c)*	Interest on other borrowings	**15**	5,466
	Disposal of a subsidiary	**—**	—
Koffman Corporate Service Limited ("**KCSL**") *(Note c)*	Rental expenses	**240**	480

Notes:

(a) BSHK was de-consolidated on 1 July 2011. Details of which were set out in note 2 to the consolidated financial statements. Upon disposal of BSG during the six months ended 31 December 2014, the amounts due from BSHK had been reclassified from amounts due from Unconsolidated Subsidiaries to other receivables.

(b) Hong Kong Builders is a subsidiary of Eternity Investment Limited, the controlling shareholder of the Company.

(c) The issued share of KIL and KCSL are 50% owned by Mr. Yu, the chairman and a director of the Company, who resigned on 19 January 2015.

Compensation for key management personnel

Emoluments for key management personnel including amounts paid to the directors of the Company and certain of the highest paid employees were as follows:

	The Group	
	31.12.2014 *HK$'000*	30.06.2014 *HK$'000*
Director fees	**289**	710
Salaries and other allowances	**60**	211
Contributions to retirement benefits scheme	**3**	8
	352	929

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the six months ended 31 December 2014 (for the year ended 30 June 2014: Nil).

EXTRACTED FROM INDEPENDENT AUDITORS' REPORT

The following paragraphs extracted from the independent auditors' report on the Group's consolidated financial statements for the six months ended 31 December 2014.

Opening balances and corresponding figures

The opening balances and corresponding figures disclosed in the consolidated financial statements are based on the audited consolidated financial statements of the Group and the Company for the year ended 30 June 2014 in respect of which our audit opinion dated 18 September 2014 expressed a disclaimer opinion. The matters which resulted in that the disclaimer opinion included (1) investment in Unconsolidated Subsidiaries, (2) balances with the Unconsolidated Subsidiaries, (3) Other receivable and (4) opening balances and corresponding figures. Therefore, the opening balances and corresponding figures shown may not be comparable and any adjustments to the opening balances at 1 July 2014 would have consequential effect on the loss for the six months ended 31 December 2014 and/or the net assets of the Group and the Company at 31 December 2014.

Qualified opinion

In our opinion, except for the effect on the consolidated financial statements of the matters described in the "Basis for Qualified Opinion" paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2014, and of the Group's loss and cash flows for the six months period from 1 July 2014 to 31 December 2014 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Following the resumption of the trading in the shares of the Company on 14 April 2014 and the completion of the capital reorganization of the Company on 13 May 2014, the Company on 22 May 2014 announced that the subscription for the convertible bonds (the "**Convertible Bonds**") in the principal amount of HK$40.0 million by New Cove Limited (the "**CB Subscriber**"), an indirect wholly-owned subsidiary of Eternity Investment Limited ("**Eternity**") of which its issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 764), was completed. On 2 July 2014 and 30 September 2014, the CB Subscriber converted the Convertible Bonds in the principal amount of HK$25.0 million into 25,000,000 shares of the Company and HK$15.0 million into 15,000,000 shares of the Company respectively. Following the conversion of the Convertible Bonds, Eternity became the controlling shareholder of the Company.

The Group is principally engaged in the sale of beauty products and provision of therapy services. For the sale of beauty products, the Group offers a variety of beauty products under the brand name "Evidens de Beauté", and a variety of medical skincare products, including the brand "Activa". For the provision of therapy services, the Group operates a spa centre with the brand "La Spa Evidens de Beauté" to offer spa, facial sahos, body treatments and wellness massages services at Lyndhurst Terrace in Central and a medical skincare centre under the trade name "COLLAGEN+" at Soundwill Plaza in Causeway Bay.

For the purpose of reducing administrative expenses and audit fees of the Group, on 19 December 2014, the Company announced that the Company as vendor and Koffman Investment Limited ("**KIL**") as purchaser entered into a sale and purchase agreement pursuant to which the Company as vendor agreed to sell, and KIL as purchaser agreed to purchase the entire issued share capital of Blu Spa Group Limited ("**BSG**") at a nominal consideration of HK$1.00 payable in cash (the "**BSG Disposal**"). KIL is 50% owned by Mr. Yu Zhen Hua, Johnny, the chairman and a director of the Company, who resigned on 19 January 2015. BSG holds the entire equity interest in Blu Spa (Hong Kong) Limited, which in turn is an intermediate holding company of 7 subsidiaries (the "**BS Group**"). Blu Spa (Hong Kong) Limited is in the process of being wound up and joint liquidators have been appointed for the winding up of Blu Spa (Hong Kong) Limited. The assets and liabilities of the BS Group have not been consolidated into the consolidated financial statements of the Group. As at the date of the completion of the sale and purchase agreement, the BS Group was indebted to the Company in an amount of approximately HK$241.4 million, which was fully impaired in the consolidated financial statements of the Group for the year ended 30 June 2014. Given that the BS Group is severely insolvent, it is expected that no dividend will be distributed in respect of the equity interest in Blu Spa (Hong Kong) Limited. Such transaction constituted a connected transaction on the part of the Company under the GEM Listing Rules. As all the applicable percentage ratios under the GEM Listing Rules in respect of the BSG Disposal are less than 5% and the consideration is less than HK$3,000,000, the disposal is fully exempted from the connected transaction requirements under the GEM Listing Rules. The Group recognised a gain of approximately HK$1.4 million from the BSG Disposal. Details of the BSG Disposal were set out in the Company's announcement dated 19 December 2014.

During the period under review, the performance of the sale of beauty products and provision of therapy services under the brand name of "Evidens de Beauté" was not satisfactory. Details were set out under the section headed "Occurrence of events that may have negative impact on the profit forecast for the 12-month period ending 30 June 2015" below.

For the period under review, the performance of China Honest has met the expectation of the management. China Honest contributed approximately HK$20.5 million to the turnover of the Group for the six months ended 31 December 2014 in which approximately HK$19.8 million and HK$0.7 million were derived from the provision of therapy services and sales of beauty products respectively. The gross profit margin for the six months ended 31 December 2014 was approximately 36.9%. The net profit for the six months ended 31 December 2014 was approximately HK$3.9 million of which, after deducting the amount of non-controlling interests, approximately HK$2.0 million was contributed to the Group's consolidated financial results for the six months ended 31 December 2014.

Financial review

During the period under review, the Group recorded a turnover of approximately HK$22.1 million (for the year ended 30 June 2014: approximately HK$27.6 million), of which approximately HK$1.7 million (for the year ended 30 June 2014: approximately HK$16.5 million) and HK$20.4 million (for the year ended 30 June 2014: approximately HK$11.1 million) were generated from the sale of beauty products and provision of therapy services respectively.

China Honest, the 51% owned subsidiary, contributed approximately HK$20.5 million to the turnover of the Group, representing approximately 92.8% of the total turnover, of which approximately HK$0.7 million and HK$19.8 million were generated from the sale of beauty products and provision of therapy services respectively.

Other income of approximately HK$3.4 million (for the year ended 30 June 2014: approximately HK$4.9 million) was mainly contributed by the other interest income of approximately HK$1.6 million on overdue receivable in relation to the refundable deposits of approximately HK$39.1 million, the gain on BSG Disposal of approximately HK$1.4 million and the gain on reversal of impairment loss recognised in respect of trademark of approximately HK$0.4 million.

The gross profit margin was approximately 31.4% (for the year ended 30 June 2014: approximately 39.8%. China Honest contributed approximately HK$7.5 million to the gross profit of the Group, while the operations under the brand name of "Evidens de Beauté" recorded a gross loss of approximately HK$0.6 million.

The selling and distribution costs was approximately HK$0.9 million (for the year ended 30 June 2014: approximately HK$1.0 million). China Honest accounted for approximately 72.9% or HK$0.7 million of the total selling and distribution cost.

The administrative expenses was approximately HK$54.4 million (for the year ended 30 June 2014: approximately HK$18.4 million). The administrative expenses was mainly attributed to the impairment loss recognised in respect of other receivables in the sum of approximately HK$46.5 million. China Honest accounted for approximately 3.9% or HK$2.1 million of the total administrative expenses.

The finance costs of approximately HK$1.2 million (for the year ended 30 June 2014: approximately HK$6.7 million) was mainly attributed to (i) the loan interest expenses paid to Hong Kong Builders Finance Limited of approximately HK$0.4 million; (ii) the imputed interest arisen from the issuance of promissory notes of approximately HK$0.4 million; and (iii) the imputed interest arisen from the issuance of convertible bonds of approximately HK$0.4 million during the period under review.

The consolidated loss attributable to owners of the Company amounted to approximately HK$48.9 million for the six months ended 31 December 2014 (for the year ended 30 June 2014: HK$11.8 million). The loss attributable to owners of the Company was mainly attributed to the substantial decrease in the sale of personal care products under the brand name "Evidens de Beauté" and the impairment loss of approximately HK$46.5 million recognised in respect of other receivables.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2014, the Group had total assets of approximately HK$90.4 million (30 June 2014: approximately HK$141.9 million), including cash and cash equivalents of approximately HK$26.6 million (30 June 2014: approximately HK$30.6 million).

During the period under review, the Group financed its operation with internally generated cash flows, proceeds from the issuance of new shares of the Company by way of open offer and placing.

CAPITAL STRUCTURE

(a) Convertible bonds

(i) On 22 May 2014, the Company issued the Convertible Bonds, in the principal of HK$40.0 million, to the CB Subscriber, pursuant to the subscription agreement entered into between the Company and the CB Subscriber dated 21 March 2013. The Convertible Bonds are interest-free and are convertible into 40,000,000 shares of the Company at a conversion price of HK$1.00 per share (subject to adjustment) at any time up to the maturity date on 22 November 2016. As stated the Company's circular dated 23 May 2013, the issuance of the Convertible Bonds will raise approximately HK$39.0 million (net of expenses), of which (a) HK$20.0 million will be used for the acquisition of a business similar to the existing business of the Group; (b) HK$4.0 million will be used for the settlement of the professional fees; and (c) HK$15.0 million will be used for the general working capital of the Group including the capital required for the development of the "Evidens de Beauté " distribution business.

(ii) On 2 July 2014, the CB Subscriber converted part of the Convertible Bonds in the principal amount of HK$25.0 million into 25,000,000 shares of the Company.

(iii) On 30 September 2014, the CB Subscriber converted the remaining part of the Convertible Bonds in the principal amount of HK$15.0 million into 15,000,000 shares of the Company.

(iv) As at 31 December 2014, (a) HK$15.0 million has been utilized for the acquisition of China Honest; (b) HK$4.0 million has been utilized for the settlement of professional fees; (c) HK$15.0 million has been utilized for general working capital of the Group including the capital required for the development of the "Evidens de Beauté " distribution business; and (iv) HK$5.0 million remained unutilised.

(b) Open offer

(i) On 11 August 2014, the Company allotted and issued 19,061,000 new shares at a subscription price of HK$3.0 per share by way of open offer to the qualifying shareholders of the Company on the basis of one new share for every two existing shares held on 16 July 2014 raising approximately HK$54.0 million (net of expenses), of which all the net proceeds is intended to be used for the repayment of the outstanding debt indebted to Hong Kong Builders Finance Limited by the Company. Details of the open offer were set out in the Company's announcements dated 25 June 2014 and 8 August 2014 and the Company's prospectus dated 17 July 2014.

(ii) As at 31 December 2014, all the net proceeds from the open offer were applied for the repayment of the loan due to Hong Kong Builders Finance Limited.

(c) Placing

(i) On 28 August 2014, the Company allotted and issued 2,620,000 new shares at a price of HK$3.15 per share by way of placing of new shares under general mandate raising HK$7.86 million (net of expenses) of which HK$7.54 million and HK$0.32 million is intended to be used for the repayment of the outstanding debt indebted to Hong Kong Builders Finance Limited by the Company and general working capital of the Group respectively. Details of the placing were set out in the Company's announcements dated 15 August 2014 and 28 August 2014.

(ii) As at 31 December 2014, the net proceeds HK$7.54 million has been utilized for the repayment of the outstanding debt indebted to Hong Kong Builders Finance Limited by the Company and HK$0.32 million remained unutilised.

(iii) The 2,620,000 new shares were allotted and issued to not less than six individual investors, who/which and its ultimate beneficial owner are third parties independent of and not connected or acting in concert with any directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules).

(iv) The closing price of the shares was HK$3.73 per share as quoted on the Stock Exchange on 15 August 2014, being the date of the placing agreement.

(v) The net price to the Company of each new share under the placing was HK$3.00.

(d) As at 31 December 2014, the total borrowings and other financial liabilities of the Group amounted to approximately HK$10.4 million (30 June 2014: HK$106.0 million), representing:

(i) a borrowing from an independent third party of approximately HK$1.4 million, which is unsecured, non-interest bearing and repayable on demand;

(ii) a borrowing from KIL of approximately HK$2.45 million, which is unsecured, interest bearing at 5% per annum and maturing on 25 August 2015;

(iii) the liability component of approximately HK$6.07 million in respect of two promissory notes in the aggregate principal amount of HK$6.42 million, which are unsecured, non-interest bearing and maturing on 30 June 2015; and

(iv) the obligations under finance leases of approximately HK$0.46 million of which (a) HK$0.44 million is interest bearing at 3.00% per annum and secured by a guarantee from Hong Kong Government, a joint and several guarantee from a director of a subsidiary and an independent third party, and the Group's title to the leased assets, and (b) HK$0.02 million is non-interest bearing and secured by the Group's title to the leased assets.

GEARING RATIO

The gearing ratio, expressed as percentage of total borrowings to total assets, was approximately 11.5% (30 June 2014: approximately 74.7%). The improvement of gearing ratio was mainly contributed by (i) the completion of the Open Offer and Placing enlarged the capital base of the Company; and (ii) the repayment of the borrowings indebted to Hong Kong Builders Finance Limited during the period under review.

PLEDGE OF ASSETS

At 31 December 2014, the Group's restricted bank deposits of approximately HK$19,701,000 (30 June 2014: HK$19,663,000) were deposits held at banks in respect of credit card and instalment sales arrangement of its sale of beauty products and provision of therapy services business.

FOREIGN EXCHANGE RISK

The Group has not used any foreign currency derivative instruments to hedge its exposure to foreign exchange risk. However, the management monitors closely the exposures and will consider hedging the exposures should the need arise.

COMMITMENTS

As at 31 December 2014, the Group had operating lease commitments of approximately HK$4.5 million (30 June 2014: approximately HK$7.6 million).

CONTINGENT LIABILITIES

As at 31 December 2014, save as disclosed in note (b) under the section headed "Litigation" below, the Group had no material contingent liabilities.

EMPLOYEES

As at 31 December 2014, the Group had 55 employees. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the mandatory provident fund scheme.

SIGNIFICANT INVESTMENT

The Group did not have any significant investment during the six months ended 31 December 2014.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as the BSG Disposal as disclosed in the paragraph under the section headed "Business Review" above, the Group did not make any material acquisitions and disposal of subsidiaries and affiliated companies during the six months ended 31 December 2014.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as the proposed development of new business as stated in the section headed "Outlook" below, the Group does not have any concrete plan for material investments or capital assets for the coming year.

CHANGE OF FINANCIAL YEAR END DATE

On 15 October 2014, the Company announced that the financial year end date of the Company and the Group has been changed from 30 June to 31 December. As a result, the current financial year end date has been changed from 30 June to 31 December commencing from the financial year ended 31 December 2014. Detailed information was set out in the Company's announcement dated 15 October 2014.

OUTLOOK

With a slump in Hong Kong retail sales by 14.60% in January 2015 from the same month last year, the management does not expect any growth in the Group's sale of beauty products and provision of therapy services in coming year. With a view to improve its profitability, the Company as issuer entered into a conditional subscription agreement with six investors (the "**Subscribers**") as subscribers relating to the Proposed Subscription (as defined below) on 17 February 2015. The directors believes that the entering into of the conditional subscription agreement represents a good opportunity for the Group to (i) raise a substantial amount of additional funds for future business development in certain new business developments in a segment difference from the existing business of the Group, (ii) improve its financial position and liquidity, and (iii) leverage on the expertise and business network of one of the Subscribers to take advantage of the expected strong growth in the new business. The Proposed Subscription (as defined below) is conditional upon the fulfillment and/or waiver (as the case may be) of the conditions precedent set out in the conditional subscription agreement.

OCCURRENCE OF EVENTS THAT MAY HAVE NEGATIVE IMPACT ON THE PROFIT FORECAST FOR THE 12-MONTH PERIOD ENDING 30 JUNE 2015

On 11 November 2014, the Company announced that due to the occurrence of certain events, it was anticipated that there may be a possible negative impact on the profit forecast for the 12-month period ending 30 June 2015 (the "**2015 Profit Forecast**") which was stated in the Appendix VI to the circular of the Company dated 21 March 2014 (the "**Circular**") in relation to the acquisition of 51% equity interest in and the shareholders' loan due by China Honest.

The 2015 Profit Forecast was made based on, amongst others, the following extracts of the basis and assumptions, which were also stated in the Appendix VI to the Circular:

(1). "The average growth rate on revenue of the Group would be…approximately 32.94% for the year ending 30 June 2015 as compared to year ending 30 June 2014 taking into account the retail sales derived from"Evidens de Beauté " products in the existing two point of sales at "La Spa Evidens" and World Trade Centre at Causeway Bay, the retail sales derived from "Blu Spa" products in the point of sales at Mikiki and wholesales derived from "Evidens de Beauté " products and "Blu Spa" products and the following new development plans of the Group:

   a. a new shop is expected to be opened in May 2014 at Repulse Bay and a new beauty counter is expected to be opened in November 2014 at Tsimshatsui;

   b. consignment sales and wholesales business at the shops of several renowned high fashioned brand in Hong Kong and on internet procured by the management;

   c. new product line, "Extreme Line" of "Evidens de Beauté " products, will be/has been launched on the global market.

   Based on the above expectations, the management estimated that the gross profit ratio of the Group…further increase to approximately 48.4% in the amount of approximately HK$15.4 million for the year ending 30 June 2015.

   The major expenses of the Group will be the costs of sales and advertising and promotion expenses including the advertising, event and exhibition and free products or treatment to beauty reporters for promotion etc. As new shop and new beauty counter will be opened in 2014, the management expects that the administrative expenses of the Group will be increased …for the year ending 30 June 2015 compared to the year ended 30 June 2013. The management also expects that the advertising and promotion expenses of the Group will also be increased for the year ending 30 June… 2015 as compared to that in the year ended 30 June 2013."

(2). "Extraordinary items to be incurred for the year ending 30 June 2015 include (i) interest income on overdue receivable in relation to a refundable deposit of approximately HK$3.13 million; (ii) professional fees regarding resumption and debt and assets recovery professional fees of approximately HK$0.15 million; (iv) interest expenses of loan from KIL and Eternity in an aggregate amount of approximately HK$5.7 million. It is expected that provisional tax payment of the Enlarged Group for the year ending 30 June 2015 will be approximately HK$1.59 million."

(3). "The Enlarged Group will be operated and developed as planned by the management of the Company."

(4). "There will be no material changes in existing political, legal, fiscal, foreign trade or economic condition in Hong Kong, Macau and the PRC in which the Group carries on business throughout the Forecast Period and no material changes in the laws, regulations and policies in Hong Kong, Macau and the PRC which affect the business that the Enlarged Group carries on throughout the Forecast Period."

(5). "There will be no disaster, natural, political or otherwise, which would materially disrupt the business or operations of the Enlarged Group or cause substantial loss, damage or destruction to its facilities throughout the Forecast Period."

(6). "There will be no interruption of the Enlarged Group's operations that will adversely affect the trading, financial and prospects of the Enlarged Group as a result of any other circumstances beyond management control."

Due to the occurrence of the following unforeseeable events ("**Events**"), it is anticipated that there will be deviations from the above basis and assumptions:

DEVIATIONS FROM THE ABOVE BASIS AND ASSUMPTIONS (1), (3) & (6)

(A) The tenancy agreement for the point of sale at World Trade Centre was expired on 24 October 2014 without renewal as the Company and the landlord could not agree on the terms of the new tenancy agreement including the amount of the new rent. As a result, no revenue will be generated from this point of sales thereafter.

(B) No tenancy agreement for the new shop at Repulse Bay was entered into with the landlord as the Company and the landlord could not agree on the terms of the tenancy agreement especially the occupancy rate on the floor where the new shop is located. As a result, no revenue will be generated from this new shop at Repulse Bay.

(C) No tenancy agreement for the new beauty counter at Tsimshatsui was entered into with the landlord as the Company and the landlord could not agree on the terms of the tenancy agreement. As a result, no revenue will be generated from this new beauty counter at Tsimshatsui.

(D) Revenue derived from consignment basis is below expectation. The Company did not renew one of the consignment agreements with a consignee which was expired in June 2014".

(E) The sale derived from the wholesales business is below expectation.

As result of the occurrence of unforeseeable events (A) to (E) above, the sale of Evidens de Beauté products, the "Extreme Line" of the Evidens de Beauté products and sales from beauty treatment under the brand name of Evidens de Beauté may be adversely affected.

DEVIATION FROM THE ABOVE BASIS AND ASSUMPTIONS (2)

(F) As the outstanding loans due to KIL and Eternity were respectively fully repaid by the Company before September 2014, the interest expenses to be incurred by these loans will be substantially reduced.

(G) As a result of the issue of promissory notes and convertible bonds on 11 April 2014 and 22 May 2014 respectively, imputed interest expenses will be incurred in respect of these financial instruments for the 12-month period ending 30 June 2015.

(H) As a result of the possible drop in revenue due to the unforeseeable events (A) to (E) above, it is anticipated that the provisional tax payment of the Enlarged Group for the 12-month period ending 30 June 2015 will be reduced.

DEVIATIONS FROM THE ABOVE BASIS AND ASSUMPTIONS (4) & (5)

(I) The decline in growth of the number of Mainland visitors to Hong Kong and their spending power has affected the whole retail sector in Hong Kong in the recent quarters of 2014.

(J) The possible negative impact on the retail sector of Hong Kong due to the recent political event "Occupying Central" in Hong Kong.

(K) Due to (I) and (J), the Board has adopted a relatively conservative approach for its business operations and expansion which is deviated from the Board's original approach when making the 2015 Profit Forecast. Such conservative approach includes (i) closing down the existing high-rented retail shop in Causeway Bay (see (A) above) in order to minimize the rental expense and the administrative costs; and (ii) expanding the low-cost distribution channel by consignment sale. In June and August 2014, the Company has entered into two consignment contracts with two Independent Third Parties. The Board considers the new approach adopted by the Company will be beneficial to and in the interest of the Company and the Shareholders in long run.

Taking into account of the deviations of basis and assumptions due to the Events above, the Board considers that, in overall view, there may be a possible negative impact on the 2015 Profit Forecast.

For the six months ended 31 December 2014, the Group recorded a loss after tax of the Group of approximately HK$47.04 million as compared to the forecast profit after tax of the Group of approximately HK$6.2 million in the same period as estimated in the 2015 Profit Forecast (the "**Deviation**"). The Deviation was mainly due to (i) a substantial decrease in the sale of beauty products and therapy services under the brand name of "Evidens de Beauté" for the 6-month period ended 31 December 2014; and (ii) an impairment loss of approximately HK$46.5 million recognised in respect of other receivables.

The actual revenue derived from the sale of beauty products under the brand name of "Evidens de Beauté" for the 6-month period ended 31 December 2014 was HK$1.0 million, accounting for approximately 7.9% of the forecast revenue for the same period of approximately HK$12.8 million. The actual revenue derived from the provision of the therapy services under the brand name "Evidens de Beauté" for the 6-month period ended 31 December 2014 was approximately HK$0.6 million, accounting for approximately 18.6% of the forecast revenue for the same period of approximately HK$3.3 million.

In addition, given that (i) Mr. Shum Yeung ("**Mr. Shum**") failed to settle the judgment debt and the accrued interest in the aggregate amount of approximately HK$46.5 million under the Judgment in High Court Action No. 1775 of 2012 and commenced various legal actions to prevent the Company from recovering the judgment debt and accrued interest including a fresh legal action as announced by the Company on 23 January 2015, (ii) it was unclear whether and when the Company would be able to receive the judgment debt and the accrued interest in full from selling (a) the charged shares in Mr. Shum's companies, and (b) the charged properties as those properties were held by Mr. Shum and another individual as joint tenants and subject to mortgages and the Company did not have the information of the financial status of Mr. Shum and his companies, the amount of Mr. Shum's interest in the charged properties and the outstanding loan amounts under the mortgages, and (iii) the ability of Dutfield International Group Limited ("**Dutfield**") as a guarantor to Mr. Shum to fulfill its obligations under the guarantee depended on the outcome of the legal proceedings for, inter alia, its claim for the sum of approximately HK$141.4 million under a loan agreement but Dutfield failed to obtain a summary judgment against the debtor and the outcome of the legal proceedings is uncertain, an impairment loss of approximately HK$46.5 million in respect of other receivables was recognised at the end of the reporting period.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2014 and up to the date of this announcement, the Group had the following material events:

(a) On 19 January 2015, Mr. Yu Zhen Hua, Johnny and Mr. Wang Shangzhong resigned as executive directors.

(b) On 23 January 2015, the Company received a writ of summons in the High Court Action No. 200 of 2015 issued by Mr. Shum Yeung as the plaintiff against the Company as the defendant for the following claims:

(i) the Judgment in High Court Action No. 1775 of 2012 dated 6 September 2013, is relating to which the Court of First Instance the High Court of Hong Kong adjudged that Mr. Shum Yeung (a) do pay the Company the sum of HK$39,127,500 together with contractual interest thereon calculated from day to day at the rate of 30% per annum from 1 May 2013 to 6 September 2013, and thereafter at judgment rate pursuant to s.48 of High Court Ordinance until payment; and (b) shall pay the Company the costs of this action including the costs of and occasioned by the Company's application for summary judgment to be taxed if not agreed, entered against Mr. Shum Yeung be set aside;

(ii) loss and damages suffered by Mr. Shum Yeung as a result of the Judgement being obtained against him;

(iii) an order for discovery upon oath of all matters relating to the foregoing;

(iv) an order for payment of all sums found due to Mr. Shum Yeung together with the interest thereon at such rate and for such period as the High Court may deem just pursuant to the High Court Ordinance;

(v) the costs; and

(vi) further or other relief.

The Company and the directors are in the process of seeking legal advice in respect of the legal proceedings. No provision for the claims of such legal proceedings was made for the six months ended 31 December 2014.

(c) On 17 February 2015, the Company as issuer entered into the conditional subscription agreement with the Subscribers, which are independent third parties, as subscribers in relation to a proposed subscription of new ordinary shares and convertible preferred shares of the Company (the "**Subscription Shares**") by the Subscribers (the "**Proposed Subscription**"). Subject to satisfaction and/or waiver (as the case may be) of the terms and conditions set out in the conditional subscription agreement, the Subscribers, in aggregate, will hold more than 50% of the then voting rights in the Company. Pursuant to the conditional subscription agreement, one of the Subscribers who will subscribe for the largest portion of the Subscription Shares and who will own 42.86% of the ordinary shares of the Company in issue as enlarged by the allotment and issue of the Subscription Shares (assuming none of the convertible preferred shares of the Company to be subscribed by the Subscribers are converted) and 40.00% of the ordinary shares of the Company as enlarged by the allotment and issue of the Subscription Shares and upon conversion in full of the convertible preferred shares of the Company to be subscribed by the Subscribers, has undertaken that, following and subject to the completion of the conditional subscription agreement, it will make an unconditional mandatory general offer (the "**Offer**") in compliance with the Hong Kong Code on Takeovers and Mergers in cash for all the ordinary shares of the Company (other than those already owned by or agreed to be acquired by it and parties acting in concert with it including a certain number of the shares of the Company held by the Company's existing controlling shareholder (which is considered a party acting in concert with the Subscribers as a result of certain non-disposal undertakings between it and the Subscribers) in respect of which such existing controlling shareholder has undertaken not to accept the Offer). On 5 March 2015, the Company has submitted a draft joint announcement relating to the Proposed Subscription and the Offer to the Securities and Futures Commission and the Stock Exchange for review and vetting. As at the date of this announcement, the draft joint announcement is being reviewed by the Securities and Futures Commission and the Stock Exchange and is pending their clearance for publication.

LITIGATION

(a) As disclosed in the Company's announcement dated 5 April 2012, 4 July 2012, 24 July 2012, 3 August 2012, 21 August 2012, 28 September 2012, 26 October 2012, 1 November 2012, 21 December 2012, 29 January 2013, 25 April 2013, 3 May 2013 and 12 January 2015 respectively and the sub-section headed "Litigation" in the section headed "Management Discussion and Analysis" of the annual report dated 18 September 2014 for the year ended 30 June 2014 in relation to, among other matters, the deed of termination, entered into between Blu Spa (Hong Kong) Limited ("**BSHK**", an unconsolidated subsidiary) and Mr. Shum Yeung in relation to the termination of the acquisition of 70% equity interest of Vertical Signal Investments Limited, pursuant to which Mr. Shum Yeung shall repay BSHK the full amount of the refundable deposit of HK$45,000,000, the issuing of the writ of summons (the "**Writ**") in the High Court Action No. 1775 of 2012 by BSHK against Mr. Shum Yeung, the subsequent execution of the deed of settlement (the "**Deed of Settlement**") by BSHK and Mr. Shum Yeung for the settlement of legal proceedings represented by the Writ, the extension to the repayment dates for Mr. Shum Yeung to make repayment pursuant to the Deed of Settlement, the execution of the deed of assignment (the "**Deed of Assignment**"), the execution of a second deed of settlement (the "**Second Deed of Settlement**") by BSHK, the Company and Mr. Shum Yeung, the repayment proposal agreed between the Company and Mr. Shum Yeung (the "**Repayment Proposal**"), the new repayment proposal agreed between the Company and Mr. Shum Yeung (the "**New Repayment Proposal**") and the additional security provided by Dutfield International Group Company Limited to the Company for the recovery of the outstanding amount due by Mr. Shum Yeung.

As Mr. Shum Yeung defaulted to settle the outstanding amount due to the Company, the Company applied to the High Court of Hong Kong Special Administrative Region (the "**Court**") to restore the hearing of the summary judgment application and substitute BSHK as the plaintiff in the summary judgment application against Mr. Shum Yeung. On 25 July 2013, a consent order was granted by the Court of First Instance of the High Court of the Hong Kong Special

Administrative Region (the "**Court of First Instance**") that, among others, the Company be granted leave to substitute BSHK as the plaintiff in the legal action against Mr. Shum Yeung. An amended statement of claim was filed on about 30 July 2013.

At the hearing of the Company's application for summary judgment held on 6 September 2013 (the "**Summary Judgment**"), the Court of First Instance adjudged that Mr. Shum Yeung (i) do pay the Company the sum of HK$39,127,500 together with contractual interest thereon calculated from day to day at the rate of 30% per annum from 1 May 2013 to 6 September 2013, and thereafter at judgment rate pursuant to s. 48 of High Court Ordinance until payment, i.e. 8% per annum from 7 September 2013 until payment; and (ii) shall pay the Company the costs of this action including the costs of the Company's judgment to be taxed if not agreed. The Company demanded Mr. Shum Yeung's immediate payment of the judgment debt. As Mr. Shum Yeung failed to settle the judgment debt, the Company applied to the Court of First Instance for garnishee orders (the "**Garnishee Orders**") and charging orders (the "**Charging Orders**") for the recovery of the judgment debt. The hearing of the Garnishee Orders and Charging Orders was originally fixed to be heard on 6 November 2013. However, Mr. Shum Yeung made an application to the Court of First Instance on 4 November 2013 for staying the proceedings for the Charging Orders and the Garnishee Orders and setting aside the Summary Judgment. The Company asked for the adjournment of hearing on 6 November 2013 in order to file and serve affirmation in opposition to Mr. Shum Yeung's application. The application for making the Charging Orders and Garnishee Orders and Mr. Shum Yeung's application was therefore adjourned to be heard on 5 March 2014. The application by Mr. Shum Yeung for setting aside the Summary Judgment was dismissed by the Court of First Instance on 12 January 2015. On 14 January 2015, the Court of First Instance handed down an addendum for the grant of the Charging Orders and Garnishee Orders absolute. On 26 January 2015, Mr. Shum Yeung filed a summons for an application to vary the costs order nisi granted in the judgment dated 12 January 2015. A hearing of the summons was held on 10 March 2015. On 11 March 2015, the Court of First Instance handed down a judgment dismissing the application from Mr. Shum Yeung.

(b) As disclosed in the Company's announcement dated 12 May 2014, on 28 April 2014, the Company received a writ of summons (the "**Writ of Summons**") from the People's Court of Huadu District, Guangzhou City, Guangdong Province of the People's Republic of China.

Pursuant to the two writs of civil proceedings (the "**Writs of Civil Proceedings**") enclosed with the Writ of Summons, the plaintiff 廣州市溢盈物業管理服務有限公司 (Guangzhou Yiying Property Management Services Co. Ltd.#) ("**Yiying**"), a property management company, alleges that, among others, (i) 廣州市雅基置業有限公司 (Guangzhou Yaji Properties Co. Ltd.#) ("**Yaji**") has defaulted in payment of the management fees and utilities and miscellaneous fees in the aggregate amount of RMB2,868,001.50 (equivalent to approximately HK$3,620,000) in respect of certain commercial properties owned by Yaji in Huadu District, Guangzhou City (the "**Properties**") for the period from February 2012 to January 2014; and (ii) after the Properties had been sold and transferred to Yaji by 廣州市花都佳業房地產開發有限公司 (Guangzhou Huadu Jiaye Property Development Co. Ltd.#) ("**Jiaye**"), Yaji continued to default in payment of the management fees and as Yaji did not have enough capacity for payment, upon discussion between the parties, Yaji, the Company, Yiying and Jiaye entered into a letter of confirmation (the "**Letter of Confirmation**") on 26 November 2010 providing that the obligations which should be performed by Yaji in relation to the management of the Properties would be assumed and performed by the Company. As such, the Company shall be jointly liable for the payment of the outstanding management fees and utilities and miscellaneous fees.

The English translation of the Chinese name(s) in this announcement, where indicated, is for information purpose only, and shall not be recognised as the official English name(s) of such Chinese name(s).

Under the Writs of Civil Proceedings, Yiying requests the People's Court of Huadu District to:

(i) order Yaji and the Company to forthwith and jointly pay to Yiying the outstanding management fees from February 2012 to January 2014 in the aggregate amount of RMB2,865,507.90 (equivalent to approximately HK$3,620,000) and the default payment until the day of actual repayment (which is in the aggregate amount of RMB1,369,098.68 (equivalent to approximately HK$1,729,000) as at 31 January 2014), totalling RMB4,234,606.58 (equivalent to approximately HK$5,349,000);

(ii) order Yaji and the Company to forthwith and jointly pay to Yiying the outstanding utilities and miscellaneous fees from February 2012 to January 2014 in the aggregate amount of RMB2,493.60 (equivalent to approximately HK$3,100) and the interest loss until the day of actual repayment (which is in the aggregate amount of RMB304.00 (equivalent to approximately HK$400) as at 31 January 2014), totalling RMB2,797.60 (equivalent to approximately HK$3,500);

(iii) order the appraisal fee of RMB7,500.00 (equivalent to approximately HK$10,000) for the security for the application for preservation of property be borne jointly by Yaji and the Company; and

(iv) order all costs of the legal proceedings be borne jointly by Yaji and the Company.

With reference to the announcements of the Company dated 30 April 2010, 5 April 2012, 4 July 2012, 24 July 2012, 3 August 2012, 21 August 2012, 28 September 2012, 26 October 2012, 1 November 2012, 21 December 2012, 29 January 2013 and 25 April 2013 in relation to, among others, the proposed acquisition of a company which held the entire equity interest in Yaji, the termination of such proposed acquisition and the legal proceedings against Mr. Shum Yeung. Although Yaji was once a wholly-owned subsidiary of the target company to be acquired by the Group, such proposed acquisition was terminated and the Group has never acquired any equity interest in Yaji.

Having examined a copy of the Letter of Confirmation enclosed with the Writ of Summons, reviewed the internal records of the Company and enquired with the former management of the Company at the relevant times, the Company considers that the signature of the alleged representative of the Company on the Letter of Confirmation was not signed by any authorised representative of the Company and may be forged for, among others, the following reasons:

(i) the signature of the alleged representative of the Company on the Letter of Confirmation was different from those of the former directors and the chief executive officer of the Company at the relevant times;

(ii) the company chop affixed to the Letter of Confirmation was not the one commonly used by the Company for the execution of documents;

(iii) the style of the signature and the handwriting of the date of execution of the alleged representative of the Company highly resembles those of Yaji on the same Letter of Confirmation;

(iv) the internal records of the Company do not show that the Company has executed or approved the Letter of Confirmation; and

(v) the former chairman and executive director, the former vice-chairman and executive director and the former chief executive officer of the relevant times have confirmed that (a) they had never seen or signed the Letter of Confirmation; (b) the Letter of Confirmation had never been tabled for discussion in any meetings of directors they attended and they had never passed any resolution in any meeting of directors of the Company to approve the Letter of Confirmation or authorised any person to represent the Company to sign the Letter of Confirmation; and (c) they are not aware of any person having signed the Letter of Confirmation for and on behalf of the Company.

Three hearings were held by the People's Court of Huadu District on 16 June 2014, 30 June 2014 and 15 August 2014 respectively.

With reference to the announcements of the Company dated 29 September 2014, 3 December 2014 and 20 January 2015, on 24 September 2014, the Group received the judgments of the Civil Proceedings (the "**Judgments**") issued by the People's Court of Huadu District, Guangzhou City on 19 September 2014, Guangdong Province of the People's Republic of China (the "**People's Court**"), pursuant to which, the People's Court made the following principal orders:

(i) order Yaji to pay to Yiying within 10 days from the date of the Judgments the outstanding management fees in the total sum of RMB2,616,333.30 (equivalent to HK$3,304,000) and the default payment until the day of actual repayment;

(ii) dismiss the claims against the Company set out in the Writs of Civil Proceedings.

Pursuant to the Judgments, Yaji and Yiying may, within 15 days from receipt of the Judgments, lodge an appeal to the Intermediate People's Court of Guangzhou City, Guangdong Province of the People's Republic of China against the Judgments and the Company may, within 30 days from receipt of the Judgments, lodge an appeal to the Intermediate People's Court of Guangzhou City, Guangdong Province of the People's Republic of China against the Judgments.

On 3 December 2014, the Company issued an announcement in which the Company has been informed by its PRC legal advisers that Yaji has filed appeals (the "**Appeals**") against the Judgments and the hearing for the Appeals is fixed on 11 December 2014. Yiying has not filed any appeals against the Judgments.

On 20 January 2015, the Company issued an announcement that the Appeals were dismissed by the Intermediate People's Court of Guangzhou City, Guangdong Province of the People's Republic of China (the "**Intermediate People's Court**") on 14 January 2015 according to the relevant judgments received by the PRC legal advisers to the Company from the Intermediate People's Court in the afternoon on 19 January 2015. As such, no provision for the outstanding management fees and utilities and miscellaneous fees was made in the consolidated financial statements of the Group for the six months ended 31 December 2014.

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

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. As at 31 December 2014, the Audit Committee comprises three independent non-executive directors, namely Mr. Chu Kin Wang, Peleus, Mr. Tam B Ray, Billy and Mr. Tse Joseph. The Audit Committee has reviewed the audited consolidated final results for the six months ended 31 December 2014 and provided advice and comments thereon.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Stock Exchange issued the Corporate Governance Code and Corporate Governance Report (the "**CG Code and Report**") contained in Appendix 15 of the GEM Listing Rules which sets out the principles and the code provisions which listed issuers are expected to apply and comply.

During the period under review and up to the date of this announcement, the Company has applied the principles as set out in the CG Code and Report that are considered to be relevant to the Company and has complied with most of the code provisions of the CG Code and Report, except for:

Role of chairman and chief executive

Pursuant to code provision A.2.1 of the CG Code and Report, the roles and responsibilities of chairman and chief executive officer should be divided.

Due to practical necessity of the Group's corporate operating structure, the roles of the chairman and the chief executive officer are both performed by Mr. Chan Kin Wah, Billy who is the chairman overseeing the operation and management of the Group. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company.

The Company is looking for a suitable candidate to fill the vacancy in order to comply with the CG Code and Report.

Insurance for potential legal actions against the directors

Pursuant to the code provision A.1.8 of the CG Code and Report, the Company should arrange appropriate insurance to cover potential legal actions against its directors. The Company is still arranging for appropriate liability insurance for the directors for indemnifying their liabilities arising from corporate activities.

Attendance of general meeting

Pursuant to code provision E.1.2 of the CG Code and Report, the chairman of the board should attend the annual general meeting of the Company and he should invite the chairman of the audit committee, the remuneration committee, the nomination committee and any other committees (as appropriate) to attend. Pursuant to code provision A.6.7 of the CG Code and Report, independent non-executive directors and other non-executive directors should attend the general meetings of the Company. During the six months ended 31 December 2014, the annual general meeting of the Company was held on 7 November 2014 (the "2014 AGM"). All directors except Mr. Yu Zhen Hua, Johnny (the chairman and an executive director), Mr. Chu Kin Wang, Peleus (an independent non-executive director) and Mr. Tam B Ray, Billy (an independent non-executive director) were unable to attend the 2014 AGM due to their other business engagement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all the directors, all directors have confirmed that they have complied with such code of conduct and the required standard of dealings on directors' securities transactions throughout the six months ended 31 December 2014.

By Order of the Board
EDS Wellness Holdings Limited
Chan Kin Wah, Billy
Chairman

Hong Kong, 27 March 2015

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Chan Kin Wah, Billy and Mr. Lee Chan Wah; and three independent non-executive directors, namely Mr. Tam B Ray, Billy, Mr. Chu Kin Wang, Peleus and Mr. Tse Joseph.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company's website at www.eds-wellness.com.