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EDS WELLNESS HOLDINGS LIMITED

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

(Stock Code: 8176)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 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 (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 enquires, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

RESULTS

The board of Directors (the "Board") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 June 2014 together with the comparative figures for the corresponding year in 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Notes	**2014** **HK$'000**	2013 *HK$'000*
Turnover	4	**27,582**	8,140
Cost of sales		**(16,597)**	(11,686)
Gross profit/(loss)		**10,985**	(3,546)
Other income	6	**4,949**	9,121
Selling and distribution costs		**(996)**	(2,292)
Administrative expenses		**(18,325)**	(21,848)
Impairment loss recognised in respect of deposits, prepayments and other receivables		**(80)**	(1,254)
Finance costs	7	**(6,664)**	(3,749)
Loss before tax	8	**(10,131)**	(23,568)
Income tax expense	9	**(487)**	—
Loss for the year		**(10,618)**	(23,568)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**1**	9
Other comprehensive income for the year		**1**	9
Total comprehensive expenses for the year		**(10,617)**	(23,559)
Loss for the year attributable to:			
Owners of the Company		**(11,768)**	(23,568)
Non-controlling interests		**1,150**	—
		(10,618)	(23,568)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		**(11,767)**	(23,559)
Non-controlling interests		**1,150**	—
		(10,617)	(23,559)
			(Restated)
Loss per share (HK cents)	10		
— Basic and diluted		**(89.68)**	(179.62)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Intangible asset		**—**	—
Goodwill		**18,266**	—
Property, plant and equipment		**14,846**	8,301
Restricted bank deposit		**7,147**	—
		40,259	8,301
Current assets			
Inventories		**2,614**	1,137
Trade receivables	11	**5,238**	646
Deposits, prepayments and other receivables	12	**50,614**	41,932
Bank balances and cash		**43,149**	1,815
		101,615	45,530
Current liabilities			
Amount due to a former director		**64**	64
Trade payables	13	**399**	—
Deposits from customers		**94**	455
Deferred revenue		**21,869**	—
Accruals and other payables		**10,185**	8,831
Obligation under finance leases		**588**	43
Other borrowings		**1,833**	42,400
Promissory notes		**12,718**	—
Tax payables		**613**	—
		48,363	51,793
Net current assets/(liabilities)		**53,252**	(6,263)
Total assets less current liabilities		**93,511**	2,038

	2014	2013
	HK$'000	*HK$'000*
Non-current liabilities		
Obligation under finance leases	**160**	124
Other borrowings	**61,000**	—
Convertible bonds	**29,712**	—
Deferred tax liabilities	**1,697**	—
	92,569	124
Net assets	**942**	1,914
Capital and reserves		
Share capital	**1,312**	131,220
Reserves	**(2,231)**	(129,306)
Equity attributable to owners of the Company	**(919)**	1,914
Non-controlling interests	**1,861**	—
Total equity	**942**	1,914

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000 (Note 1)	Contributed surplus HK$'000 (Note 2)	Convertible bonds reserve HK$'000 (Note 3)	Translation reserve HK$'000 (Note 4)	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2012	131,220	175,357	22,734	—	—	—	(303,838)	25,473	—	25,473
Loss for the year	—	—	—	—	—	—	(23,568)	(23,568)	—	(23,568)
Other comprehensive income for the year:										
Exchange differences on translating foreign operations	—	—	—	—	—	9	—	9	—	9
Total comprehensive expenses for the year	—	—	—	—	—	9	(23,568)	(23,559)	—	(23,559)
At 30 June 2013 and 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	1,312	—	22,734	27,141	8,934	10	(61,050)	(919)	1,861	942

Notes:

1) 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.

2) Contributed surplus

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

3) Convertible bonds reserve

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

4) Translation reserve

Exchange differences arising from the translation of the 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 of Hong Kong Limited (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 Group.

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 issued by the Hong Kong Institute of Certified Public Accountants ("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 GEM Listing Rules and the disclosure requirements of 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 values at the end of each reporting period.

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 in 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 ca 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 for the year ended 30 June 2014 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") for the year ended 30 June 2014, have not provided complete documentary information and reasonable explanation in respect of the transactions asserted to have been undertaken. The Directors have not been able to obtain complete documentary information to satisfy themselves regarding the accounting treatments in respect of those transactions for the year ended 30 June 2014.

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 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 and the Company of approximately HK$241,426,000 and HK$238,462,000 respectively at 30 June 2014 of which impairment losses of HK$80,000 was recognised during the year and recorded accumulated impairment losses of approximately HK$241,426,000 and HK$238,462,000 respectively. 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, these consolidated financial statements for the year ended 30 June 2014 and 30 June 2013 are 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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (THE "HKFRSs")

In the current year, the Group has applied for the first time, the following new and revised standards and interpretations issued by the HKICPA (collectively referred to as the "new and revised HKFRSs"), which are effective for the Group's financial year beginning on 1 July 2013. A summary of the new and revised HKFRSs applied by the Group is set out as follows:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 Cycle
HKFRS 1 (Amendments)	Amendments to HKFRS 1 First Time Adoption of Hong Kong Financial Reporting Standards — Government Loans
HKFRS 7 (Amendments)	Disclosures — Offsetting Financials Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Involvement with Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investment in Associates and Joint Ventures
HKAS 36 Amendments	Recoverable Amount Disclosures for Non-Financial Assets
HK(IFRIC) — Int 20	Stripping costs in the Production Phase of a Surface Mine

Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

The Group has early applied HKAS 36 (Amendments) Recoverable Amount Disclosures for Non-Financial Assets, which is effective for annual periods of the Group beginning on or after 1 July 2014.

The amendments to HKAS 36 remove the requirement to disclosure the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal. The early application of amendments to HKAS 36 removes the requirement to disclose the recoverable amounts of individual asset mentioned above. Other than the additional disclosures by application of HKAS 36, the application of HKAS 36 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKFRS 7 *Disclosures — Offsetting Financial Assets and Financial Liabilities*

The Group has applied the amendments to HKFRS 7 *Disclosures — Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

(a) recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*; and

(b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

As the Group does not have any offsetting arrangements or any master netting agreements in place, the application of the amendments has no material impact on the disclosures or on the amounts recognised in these consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements and* HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC) Int — 12 *Consolidation — Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its return. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over and investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee is relevant to the Group.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interest in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC) — Int 13 *Joint Controlled Entities — Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements — joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to assets, and obligations for the liabilities, relating to arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interest in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.

Other than the additional disclosures by application of HKFRS 12, the application of HKFRS 10 and HKFRS 11 has not had any material impact on the amounts recognised in the consolidated financial statements.

HKFRS 13 *Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirement of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell and asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also HKFRS 13 includes extensive disclosures requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009–2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 July 2013. Amendments to HKFRSs include:

— amendments to HKAS 16 *Property, Plant and Equipment*; and

— amendments to HKAS 32 *Financial Instruments*: *Presentation*.

Amendments to HKAS 16

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The Directors do not anticipate that the amendments to HKAS 16 will have a significant effect on the Group's consolidated financial statements.

Amendments to HKAS 32

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 *Income Taxes*. The Directors anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

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.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation a Amortisation[4]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plant[4]
HKAS 19 (Amendments)	Defined benefit plans: Employee Contributions[2]
HKAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities[1]
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10, HKFRS 12 and HKAS 27 (Revised in 2011) (Amendments)	Investment Entities[1]
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operation[4]
HKFRS 14	Regulatory Deferral Accounts[4]
HKFRS 15	Revenue from Contracts with Customers[5]
HK(IFRIC) — Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
4 Effective for annual periods beginning on or after 1 January 2016
5 Effective for annual periods beginning on or after 1 January 2017
6 Effective for annual periods beginning on or after 1 January 2018

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

All recognised financial assets that are within the scope of HKAS 39 *Financial Instrument: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The Directors anticipate that the application of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Save as described above, the Group is in the process of assessing the potential impact of these new and revised HKFRSs but is not yet in a position to determine whether these new and revised HFKRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new and revised HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

4. TURNOVER

	2014	2013
	HK$'000	*HK$'000*
Sales of beauty equipment	**—**	1,140
Sales of beauty products	**16,537**	4,478
Therapy services	**11,045**	2,522
	27,582	8,140

5. SEGMENT INFORMATION

Information reported to the Directors, who being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

(i) Sales of beauty equipment

(ii) Sales of beauty products

(iii) Therapy services

The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business unit has different marketing strategies.

OPERATING SEGMENT	**Sales of beauty equipment** *HK$'000*	**Sales of beauty products** *HK$'000*	**Therapy services** *HK$'000*	**Segment total** *HK$'000*
For the year ended 30 June 2014				
REVENUE				
Revenue from external customers	**—**	**16,537**	**11,045**	**27,582**
RESULTS				
Segment profit for reportable segment	**—**	**5,634**	**4,355**	**9,989**
Interest income on bank deposits				**16**
Unallocated corporate income				**4,750**
Unallocated corporate expenses				**(16,487)**
Gain on disposal of property, plant and equipment				**183**
Impairment loss recognised in respect of deposits, prepayments and other receivables				**(80)**
Loss on disposal of property, plant and equipment				**(1,816)**
Imputed interest on convertible bonds				**(411)**
Imputed interest on promissory notes				**(326)**
Written down of property, plant and equipment				**(8)**
Written off of deposits, prepayments and other receivables				**(6)**
Written off of inventories				**(6)**
Written off of trade receivables				**(2)**
Finance costs				**(5,927)**
Loss before tax				**(10,131)**
Income tax expense				**(487)**
Loss for the year				**(10,618)**
For the year ended 30 June 2013				
REVENUE				
Revenue from external customers	1,140	4,478	2,522	8,140
RESULTS				
Segment profit/(loss) for reportable segment	72	(4,269)	(1,641)	(5,838)
Interest income on bank deposits				1
Unallocated corporate income				9,067
Unallocated corporate expenses				(20,389)
Gain on disposal of property, plant and equipment				53
Impairment loss recognised in respect of deposits, prepayments and other receivables				(1,254)
Loss on disposal of property, plant and equipment				(122)
Written down of property, plant and equipment				(1,145)
Written off of deposits, prepayments and other receivables				(192)
Finance costs				(3,749)
Loss before tax				(23,568)
Income tax expense				—
Loss for the year				(23,568)

Revenue reported above represents revenues generated from external customers. There were no inter-segment sales during the year 2014 (during the year 2013: HK$Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies.

Segments profit/(loss) represents profit earned or loss incurred by each segment without allocation of corporate administration costs including directors' remuneration, other income, finance costs and income tax expense. This is the measure reported to the chief operation decision maker 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, other unallocated head office and corporate financial assets; and

— all liabilities are allocated to reportable segments other than amount due to a former director, tax payables and deferred tax liabilities, other unallocated head office and corporate financial liabilities, other borrowings, promissory notes and convertible bonds.

Segment assets and liabilities

	Sales of beauty equipment *HK$'000*	**Sales of beauty products** *HK$'000*	**Therapy services** *HK$'000*	**Segment total** *HK$'000*
2014				
ASSETS				
Segment assets	—	2,225	16,819	19,044
Unallocated corporate assets				122,830
Consolidated total assets				141,874
LIABILITIES				
Segment liabilities	(—)	(215)	(22,911)	(23,126)
Unallocated corporate liabilities				(117,806)
Consolidated total liabilities				(140,932)

	Sales of beauty equipment *HK$'000*	Sales of beauty products *HK$'000*	Therapy services *HK$'000*	Segment total *HK$'000*
2013				
ASSETS				
Segment assets	—	1,107	1,976	3,083
Unallocated corporate assets				50,748
Consolidated total assets				53,831
LIABILITIES				
Segment liabilities	—	—	(650)	(650)
Unallocated corporate liabilities				(51,267)
Consolidated total liabilities				(51,917)

Other segment information

	Sales of beauty equipment *HK$'000*	**Sales of beauty products** *HK$'000*	**Therapy services** *HK$'000*	**Unallocated** *HK$'000*	**Segment total** *HK$'000*
For the year ended 30 June 2014					
Amount included in the measure of segment profit and segment assets					
Additions to property, plant and equipment	**—**	**—**	**3,557**	**8,079**	**11,636**
Depreciation	**—**	**—**	**503**	**2,221**	**2,724**
For the year ended 30 June 2013					
Amount included in the measure of segment profit/(loss) and segment assets					
Additions to property, plant and equipment	—	—	2,451	7,293	9,744
Depreciation	—	—	173	1,398	1,571

Geographical information

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

	Revenue from external customers		Non-current assets	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**27,582**	8,140	**40,254**	8,295
The People's Republic of China (the "PRC")	**—**	—	**5**	6
	27,852	8,140	**40,259**	8,301

Information about major customer

No other single customer contributed 10% more to the Group's revenue for the year ended 30 June 2014 (for the year ended 2013: HK$Nil).

6. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Bank interest income	**16**	1
Other interest income	**4,733**	4,552
Gain on defaulted payment of the refundable deposit	**—**	4,500
Gain on disposal of property, plant and equipment	**183**	53
Sundry income	**17**	15
	4,949	9,121

7. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on other borrowings wholly payable within 5 years *(Note)*	**5,899**	3,705
Interest on finance leases	**28**	44
Imputed interest on convertible notes	**411**	—
Imputed interest on promissory notes	**326**	—
	6,664	3,749

Note:

Included in interest on other borrowings were the loan advanced by Koffman Investment Limited ("KIL") and Hong Kong Builders Finance Limited ("HK Builders") with a term of 3 months from 27 March 2012 at interest rate of 12% per annum and with a term of 36 months from the date of drawdown at interest rate of 5% per annum respectively.

On 13 February 2014, the Company has entered into the second supplementary loan agreement with KIL to extend the repayment date of the above loan from 28 February 2014 to 31 December 2014. The loan was fully settled during the year ended 30 June 2014.

8. LOSS BEFORE TAX

	2014	2013
	HK$'000	*HK$'000*
Loss before tax has been arrived at after charging:		
Directors' remuneration	**(929)**	(1,329)
Other staff costs	**(7,695)**	(9,184)
Retirement benefit scheme contributions	**(324)**	(341)
Total staff costs	**(8,948)**	(10,854)
Auditors' remuneration	**(620)**	(1,030)
Depreciation	**(2,724)**	(1,571)
Loss on disposal of property, plant and equipment	**(1,816)**	(122)
Impairment loss recognised in respect of deposits, prepayments and other receivables	**(80)**	(1,254)
Written down of property, plant and equipment	**(8)**	(1,145)
Written off of deposits, prepayments and other receivables	**(6)**	(192)
Written off of inventories	**(6)**	—
Written off of trade receivable	**(2)**	—
Operating lease payment	**(4,708)**	(4,131)

9. INCOME TAX EXPENSE

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

	2014	2013
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**555**	—
Deferred tax		
Arising on imputed interest on convertible bonds	**(68)**	—
Total income tax recognised in consolidated statement of profit or loss and other comprehensive income	**487**	—

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year. The PRC subsidiary is subject to the PRC Enterprise Income Tax at 25% for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

10. 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:

	2014	2013
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted loss per share:		
Loss for the year attributable to owners of the Company	**(11,768)**	(23,568)
		(Restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**13,122,000**	13,122,000

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share for the year ended 30 June 2014 and 2013 have been adjusted for the capital reorganisation as effective on 13 May 2014.

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

Diluted loss per share for the year ended 30 June 2013 was the same as the basis loss per share as there was no diluting event.

11. TRADE RECEIVABLES

The Group	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**5,240**	646
Less: written off as uncollectible	**(2)**	—
	5,238	646

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 days 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 date as follows:

The Group	2014	2013
	HK$'000	*HK$'000*
Aged:		
0–30 days	**4,229**	183
31–60 days	**861**	82
61–90 days	**68**	99
91–120 days	**75**	190
Over 120 days	**7**	92
	5,240	646
Less: written off as uncollectible	**(2)**	—
	5,238	646

Trade receivables disclosed above include amounts which are past due at the end of the reporting period for which the Group has written off of approximately HK$2,000 as uncollectible for the year ended 30 June 2014 (for the year ended 30 June 2013: HK$Nil) and the remaining has not been recognised as allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable at 30 June 2014 and 2013.

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group

	2014	2013
	HK$'000	*HK$'000*
Deposits paid	**2,288**	3,930
Less: Impairment loss recognised	**—**	—
Less: Written off as uncollectible	**(6)**	(2,500)
	2,282	1,430
Prepayments	**409**	271
Other receivables *(Note)*	**47,923**	45,231
Less: Impairment loss recognised	**—**	—
Less: Written off as uncollectible	**—**	(5,000)
	47,923	40,231
Amounts due from the Unconsolidated Subsidiaries	**241,426**	241,847
Less: Impairment loss recognised	**(241,426)**	(241,346)
Less: Written off as uncollectible	**—**	(501)
	—	—
	50,614	41,932

Notes:

As set out in the Company's announcement dated 30 April 2010, BSHK entered into the sale and purchase agreement dated 30 April 2010 with Mr. Shum Yeung (the "Debtor") pursuant to which BSHK agreed to purchase 70% of entire issued share capital of an entity and its loan at a consideration of HK$80,000,000 (the "SPA"). According to the SPA, a refundable deposit amounted to HK$45,000,000 was paid by BSHK on 12 February 2010 and 30 April 2010 of HK$10,000,000 and HK$35,000,000 respectively.

As set out in the Company's announcements dated 25 August 2010, 29 October 2010, 1 February 2011, 30 June 2011 and 30 November 2011, BSHK and the Debtor entered into several extension agreements and supplemental agreements on 25 August 2010, 29 October 2010, 1 February 2011, 30 June 2011 and 30 November 2011 for extension of the SPA.

As set out in the Company's announcements dated 30 March 2012 and 5 April 2012, BSHK and the Debtor entered into the deed of termination (the "DOT") dated 5 April 2012 pursuant to which with immediate effect the SPA became null and void. Simultaneously, the Debtor is liable to repay BSHK the full amount of the refundable deposit of HK$45,000,000 (the "Refundable Deposit"). Pursuant to the DOT, the Debtor should also pay a consideration of HK$4,500,000 to BSHK for termination of the SPA and provided that, if the Debtor duly repaid the total sum of the Refundable Deposit, the consideration of HK$4,500,000 should be released and the Debtor's obligation to pay HK$4,500,000 under the DOT should be discharged.

As set out in the Company's announcements dated 4 July 2012, 24 July 2012, 3 August 2012 and 21 August 2012, the Debtor and BSHK entered into several extension agreements on 4 July 2012, 24 July 2012, 3 August 2012 and 21 August 2012 respectively for extension of the repayment of the Refundable Deposit (together, the "Repayment Extension Agreements").

As set out in the Company's announcement dated 28 September 2012, a writ of summons was issued in the High Court of Hong Kong by BSHK, as the plaintiff claiming against the Debtor for, (i) the repayment of an outstanding sum due and owing from the Debtor under the DOT and Repayment Extension Agreements and (ii) the breach of the DOT and the Repayment Extension Agreements on 25 September 2012.

As set out in the Company's announcement dated 1 November 2012, BSHK and the Debtor entered into the first deed of settlement for the purpose of settling the abovementioned claims. The amount of HK$4,050,000 was repaid by the Debtor on 13 November 2012.

As set out in the Company's announcement dated 29 January 2013, BSHK and the Company entered into the deed of assignment (the "DOA") dated 29 January 2013 pursuant to which BSHK assigns, sells, transfers and sets over to the Company, all its rights, title and interest in and obligation to the Refundable Deposit and the DOT and the Repayment Extension Agreements. As a result, the amounts due from the Unconsolidated Subsidiaries amounted to approximately HK$40,950,000 was reclassified to other receivables due from the Debtor (the "Other Receivable"). On 29 January 2013, the Company, BSHK and the Debtor entered into a second deed of settlement (the "Second DOS") dated 29 January 2013 for the purpose of settling the abovementioned claims and the Debtor further settled approximately HK$1,823,000.

As set out in the Company's announcement dated 3 May 2013, on 29 April 2013, the Company and the Debtor have agreed to extent the settlement of the Other Receivable with interest of 30%. As the Debtor defaulted to make settlement according to the Second DOS, the Directors consider the Debtor breached the terms of the DOT and recognised the consideration for termination of the SPA of HK$4,500,000 as the gain on defaulted payment of the Refundable Deposit in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2013.

On 30 July 2013, the Company filed the DOA and corresponding documents to the High Court of Hong Kong for claims against the Debtor. On 6 September 2013, the Directors of the Company were given to understand by its legal representatives that the judge has entered judgment against the Debtor in the following terms: 1) judgment against the Debtor be entered for 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 2) the Debtor shall pay the Company the costs of this action including the costs of the Company's application for summary judgment (the "Summary Judgement") to be taxed if not agreed. During the year, the interest income in respect of the Other Receivable amounted to approximately HK$4,733,000 (for the year ended 30 June 2013: approximately HK$4,552,000) of which HK$Nil (for the year ended 30 June 2013: approximately HK$3,472,000) was settled.

As Mr. Shum failed to settle the judgment debt, the Company applied to the High Court of Hong Kong 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 made an application to the Court 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 the hearing on 6 November 2013 in order to file and serve affirmation in opposition to Mr. Shum's application. The application for making the Charging Orders and Garnishee Orders and Mr. Shum's application was therefore adjourned to be heard on 5 March 2014. The High Court of Hong Kong did not make judgement at the close of the hearing and will hand down the judgment later. At the date of this announcement, the judgment has not yet been handed down by the High Court of Hong Kong.

Furthermore, as set out in the Company's announcement dated 3 May 2013, the Company and Dutfield International Group Company Limited ("Dutfield") has entered into the deed of guarantee (the "DOG") pursuant to which Dutfield has agreed to provide guarantee to the Company for repayment of the Other Receivable. Pursuant to the DOG, Dutfield has agreed to undertake the liabilities and becomes due and payable to the Company when the Debtor defaulted to repay the Other Receivable. The Directors were given to understand that Dutfield is also a plaintiff in the legal proceedings for a claim for the sum of HK$141,360,000 under a loan agreement in regarding to a mortgaged property. The Company, the Debtor and Dutfield have agreed that any proceeds received by Dutfield the abovementioned proceedings shall be paid to the Company immediately for settling the Other Receivable. Up to the date of this announcement, the legal proceeding is still in progress and pending for judgment.

13. TRADE PAYABLES

The Group	**2014**	2013
	HK$'000	*HK$'000*
Trade payables	**399**	—

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

	2014	2013
	HK$'000	*HK$'000*
Aged:		
0–30 days	**366**	—
31–60 days	**—**	—
61–90 days	**33**	—
91–120 days	**—**	—
Over 120 days	**—**	—
	399	—

14. OPERATING LEASE COMMITMENTS

The Group	**2014**	2013
	HK$'000	*HK$'000*
Within one year	**6,104**	3,345
In the second to fifth year inclusive	**1,503**	760
	7,607	4,105

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average terms of 1 to 3 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.

15. LITIGATION AND CONTINGENT LIABILITIES

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 of approximately RMB2,868,000 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.

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 of approximately RMB2,866,000 and the default payment until the day of actual repayment of approximately RMB1,369,000 as at 31 January 2014), totalling amount to approximately RMB4,235,000;

(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 of approximately RMB2,000 and the interest loss until the day of actual repayment of approximately RMB300 as at 31 January 2014), totalling amount to approximately RMB3,000;

(iii) order the appraisal fee of approximately RMB8,000 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.

The Company instructed a lawyer in the PRC to defend the two cases. Three hearings were held by the People's Court of Huadu District on 16 June 2014, 30 June 2014 and 15 August 2014 respectively. The Court did not make judgment at the close of the third hearing and will hand down the judgment later. At the date of this announcement, the judgment has not yet been handed down by the Court.

In view of the above, the Directors are of the view that no provision for the claims of these legal proceedings is required to be made at this stage.

16. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in amounts due from the Unconsolidated Subsidiaries (note 12), amount due to a former director and elsewhere to the consolidated financial statements, the Group had the following material transactions with related parties during the year:

Name of party	Nature of transactions	**2014** ***HK$'000***	2013 *HK$'000*
KIL *(Note 1)*	Interest on other borrowing	**5,466**	3,705
Koftman Corporate Service Limited ("KCSL") *(Note 1)*	Rental expenses	**480**	160
BSHK *(Note 2)*	Sales of products	**—**	(21)
	Legal and professional fee paid on behalf	**80**	—
	Disposal of property, plant and equipment	**—**	(603)
Lisun Plastic Factory Limited *(Note 3)*	Gain on disposal of property, plant and equipment	**—**	(53)

The following balance was outstanding at the end of the reporting periods:

Name of party	Nature of transactions	**2014** ***HK$'000***	2013 *HK$'000*
KIL *(Note 1)*	Other borrowing	**—**	42,400

Notes:

(1) Mr. Yu, an executive Director and the chairman of the Company, is the ultimate beneficial owner of KIL and KCSL. Details of the transactions were set out in note 7 to the consolidated financial statements. During the year, the KCSL's office was rented by the Company.

(2) BSHK was de-consolidated on 1 July 2011. Details of which were set out in note 2 to the consolidated financial statements.

(3) Mr. Wong Yue Kwan, Alan is the common director of Lisun Plastic Factory Limited and Blu Spa Group Limited, a wholly-owned subsidiary of the Group. He has resigned on 7 August 2013.

Compensation for key management personnel

The remuneration of Directors and other members of key management personnel during the year are as follows:

The Group

	2014	2013
	HK$'000	*HK$'000*
Short-term employee benefits	**921**	1,314
Post-employment benefits	**8**	15
	929	1,329

The remuneration of Directors and key management personnel is determined or proposed by the remuneration committee having regard to the performance of individuals and market trends.

17. EVENTS AFTER REPORTING PERIOD

Save as disclosed in elsewhere of the consolidated financial statements, the Group has the following events after reporting period:

(a) On 2 July 2014, New Cove Limited has successfully converted the convertible bonds in the principal amount of HK$25,000,000 into 25,000,000 shares and subscribed for or procure the subscription for the 12,500,000 offer shares allotted to it under its entitlement pursuant to the open offer.

(b) On 25 June 2014, the Company announced to propose to raise approximately HK$57,718,000 before expenses by way of the open offer issuing 19,061,000 offer shares on the basis of one offer share for every two exiting shares held on 16 July 2014 and payable in full upon application at the subscription price of HK$3.00 per offer share. Please refer to the Company's announcement dated 25 June 2014 for details.

On 31 July 2014, being the latest time for acceptance of and payment for the offer shares, a total of 6 valid acceptances in respect of 13,589,428 offer shares provisionally allotted to the qualifying shareholders under the open offer have been received, representing approximately 71.29% of the total number of the 19,061,000 offer shares available for subscription under the open offer. Please refer to the Company's announcement dated 8 August 2014 for details.

The open offer of 13,589,428 offer shares was completed on 11 August 2014 and raised net proceeds of approximately HK$55,805,000 for the partial repayment of the outstanding debt of the Company.

(c) On 15 August 2014, the Company and Kingston Securities Limited entered into a conditional placing agreement, pursuant to which he Company has conditionally agreed to place, through Kingston Securities Limited on a best effort basis, 2,620,000 new shares of the Company to not fewer than six independent professional investors at a price of HK$3.15 per share. The new shares are allotted and issued pursuant to a general mandate granted to the Directors by resolution of the shareholders passed at the annual general meeting of the Company held on 8 November 2013, subject to the limit up to 20% of the then issued share capital of the Company of 1,312,200,000 shares of HK$0.1 each as at the date of passing the relevant resolution at the annual general meeting. Please refer to the Company's announcement dated 15 August 2014 for details.

The placing of 2,620,000 new shares was completed on 28 August 2014 and raised net proceeds of approximately HK$7,900,000, of which approximately HK$7,600,000 was applied to repay all the outstanding loan indebted to HK Builders and the remaining was applied for general working capital of the Group.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 June 2014 (2013: Nil).

EXTRACTED FROM INDEPENDENT AUDITORS' REPORT

The following paragraphs extracted from the independent auditors' report on the Group's financial statement for the year ended 30 June 2014.

(1) Investment in unconsolidated subsidiaries

As further explained in note 2 to the consolidated financial statements, the directors of the Company are unable to obtain complete books and records of Blu Spa (Hong Kong) Limited ("BSHK") and its subsidiaries (the "BSHK Group"), Blu Spa International Limited and Blu Spa Management Services Limited (collectively referred to as the "Unconsolidated Subsidiaries") of which announcement dated 19 February 2013 that written resolutions were passed by the sole director of BSHK, among other things, to voluntarily wind-up BSHK and the notice of appointment of joint and several liquidators were published on the government gazette on 26 February 2013. The Company further made an 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. Due to lack of Complete books and records of the Unconsolidated Subsidiaries, the financial statements of the unconsolidated subsidiaries have not been consolidated into the Group's consolidated financial statements.

Due to lack of complete books and records of the Unconsolidated Subsidiaries mentioned above, we are unable to ascertain the impact of the potential irregularities with respect to the accounting records and transactions of the Unconsolidated Subsidiaries, if any, and the de-consolidation of the Unconsolidated Subsidiaries on the consolidated financial statements. We have also not been able to obtain sufficient appropriate evidence and explanations to determine whether the carrying amounts of the investments in the Unconsolidated Subsidiaries were free from material misstatements. Any adjustments that might have been found to be necessary would have a consequential significant effect on the net assets of the Group at 30 June 2014 and the loss and cash flows of the Group for the year ended 30 June 2014.

(2) Balances with the Unconsolidated Subsidiaries

As further explained in note 2 to the consolidated financial statements, the Group and the Company had a total amounts due from the Unconsolidated Subsidiaries of approximately HK$241,426,000 and HK$238,462,000 respectively at 30 June 2014 of which impairment losses of approximately HK$80,000 was recognised during the year and recorded accumulated losses of approximately HK$241,426,000 and HK$238,462,000 respectively. In addition, the Group recorded amounts due to the Unconsolidated Subsidiaries of approximately HK$1,309,000 at 30 June 2014.

Due to lack of complete books and records of the Unconsolidated Subsidiaries, we have not been able to obtain sufficient appropriate audit evidence to determine whether the amounts due from and due to the Unconsolidated Subsidiaries (together, the "Balances with the Unconsolidated Subsidiaries") and the impairment losses recognised on the amounts due from the Unconsolidated Subsidiaries to the Group and the Company are free from material misstatements. Any adjustments that might have been found to be necessary would have a consequential significant effect on the net assets of the Group and the Company at 30 June 2014 and the loss of the Group and the Company for the year ended 30 June 2014.

(3) Other receivable

Included in "Deposit, prepayment and other receivables" in the consolidated and the Company statements of financial position at 30 June 2014 was other receivable of approximately HK$46,329,000 (the "Other Receivable") due from a debtor (the "Debtor"). As further explained in note 23 to the consolidated financial statements, the Debtor defaulted the repayment of the Other Receivable and the Company has taken legal actions against the Debtor. Up to the date of this report, the legal action against the Debtor is still in the progress, no settlement of the Other Receivable was made by the Debtor. The directors of the Company consider that the Other Receivables will be recoverable from the Debtor, no impairment loss was recognised for the Other Receivable for the year ended 30 June 2014. We were unable to obtain sufficient appropriate audit evidence regarding to the valuation of the Other Receivable and there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Other Receivable was free from material misstatement. Any adjustments that might have been found to be necessary would have a consequential significant effect on the net assets of the Group and the Company at 30 June 2014 and the loss of the Group and the Company for the year ended 30 June 2014.

(4) Opening balances and corresponding figures

The opening balances and corresponding figures disclosed in the consolidated financial statements are based on the audited financial statements of the Group and the Company for the year ended 30 June 2013 in respect of which our audit opinion dated 6 September 2013 expressed a disclaimer opinion. The matters which resulted in that the disclaimer opinion included (1) investment in unconsolidated subsidiaries, (2) balance with the Unconsolidated Subsidiaries, (3) Other Receivable and (4) impairment loss of investment costs and balances due from the subsidiaries other than the Unconsolidated Subsidiaries, (5) opening balances and corresponding figures and (6) going concern basis of accounting. Therefore, the opening balances and corresponding figures shown may not be comparable and any adjustments to the opening balances at 1 July 2013 would have consequential effect on the loss for the year ended 30 June 2014 and/or the net assets of the Group and the Company at 30 June 2014.

DISCLAIMER OF OPINION

Because of the significance of matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

At the request of the Company, trading in the shares of the Company has been suspended since 30 September 2011 due to the delay in publication of the Group's final results announcement for the year ended 30 June 2011. On 11 April 2014, the Company announced that as all the resumption conditions as set out in the Stock Exchange's letter dated 7 February 2014 had been satisfied and fulfilled, an application had been made to the Stock Exchange for the resumption of trading in the Company's shares on GEM of the Stock Exchange with effect from 9:00 a.m. on 14 April 2014 (the "Resumption"). Details of the Resumption were set out in the Company's announcement dated 11 April 2014.

In view of the insufficient of general working capital, the Company had entered into two short-term loan agreements in normal commercial terms with Koffman Investment Limited ("KIL"), of which Mr. Yu Zhen Hua Johnny, the chairman, executive Director and Managing Director, is the ultimate beneficial owner of KIL, in the principal of HK$10.0 million and HK$20.0 million on 8 February 2012 (the "KIL First Loan Agreement") and 27 March 2012 (the "KIL Second Loan Agreement") respectively. All the outstanding borrowings and interest expenses accrued for the KIL First Loan Agreement had been repaid on 7 May 2012. The loan facility of the KIL Second Loan Agreement was increased to a principal amount of HK$50.0 million and further increased to a principal amount of HK$60.0 million in accordance with the supplementary loan agreement dated 26 June 2012 and supplemental agreement dated 17 October 2013 respectively. The repayment date of all the outstanding borrowings for the Second Loan Agreement had been extended from 27 June 2012 to 28 February 2014, by entering of sixteen supplementary loan agreements dated 26 June 2012, 26 September 2012, 26 October 2012, 26 November 2012, 7 December 2012, 31 December 2012, 15 January 2013, 31 January 2013, 28 February 2013, 2 April 2013, 30 April 2013, 31 May 2013, 28 June 2013, 31 July 2013, 30 August 2013 and 31 December 2013 respectively. On 13 February 2014, the Company and KIL entered into the second supplemental agreement, pursuant to which the loan facility of the KIL Second Loan Agreement was increased to a principal amount of HK$80.0 million and the repayment date had been extended from 28 February 2014 to 31 December 2014.

As disclosed in the Company's announcement dated 19 February 2013, the sole director of Blu Spa (Hong Kong) Limited ("BSHK"), an unconsolidated subsidiary, decided to voluntarily wind-up BSHK. The Directors are of the view that the winding-up of BSHK will not have any material adverse financial effect on the Group. The resolution for the voluntary winding-up of BSHK was subsequently passed by its sole shareholder on 26 February 2013. In addition, Mr. Osman Mohammed Arab and Mr. Wong Kwok Keung of RSM Nelson Wheeler Corporate Advisory Limited were appointed as joint and several liquidators for the purpose of the winding-up of BSHK in the creditors' meeting held on 26 February 2013. As at the date of this announcement, the voluntary winding-up of BSHK is in progress.

The Directors have not consolidated the financial statements of BSHK and its subsidiaries (the "BSHK Group") and certain subsidiaries of the Company due to incomplete documentary information in respect of some transactions asserted to have been taken by these subsidiaries (together, the "Unconsolidated Subsidiaries") for the years ended 30 June 2012 and 30 June 2013 (the "De-consolidation"). Same as previous years, the Unconsolidated Subsidiaries have not been included in the audited consolidated financial statements for the year ended 30 June 2014.

In addition, as disclosed in the Company's circular dated 23 May 2013 and approved by Company's shareholders at the extraordinary general meeting held on 11 June 2013, (a) the Company and New Cove Limited (the "Subscriber"), an indirect wholly-owned subsidiary of Eternity Investment Limited (the "Subscriber Holding") of which its issue shares are listed on the Main Board of the Stock Exchange (stock code: 764), entered into a subscription agreement (the "Subscription Agreement") in respect of the issue of convertible bonds in the principle amount of HK$40.0 million (the "Convertible Bonds"); (b) the application to the Executive of the Securities and Futures Commission for the Whitewash Waiver in respect of the subscription as contemplated under the Subscription Agreement; and (c) the Company and Hong Kong Builders Finance Limited (the "Lender"), an indirect wholly-owned subsidiary of the Subscriber Holding, entered into a loan agreement (the "First Loan Agreement"), pursuant to which, the Lender had conditionally agreed to grant an unsecured loan in the principal amount of HK$40.0 million to the Company for a term of 3 years from the date of drawdown with an interest rate of 5% per annum (the "First Loan"). The First Loan Agreement will be conditional upon the completion of the Subscription Agreement.

On 30 August 2013, EDS International Holdings Limited ("EDS International"), a wholly-owned subsidiary of the Company, and two independent third parties (the "Vendors") entered into a legal binding term sheet (the "Term Sheet"), pursuant to which EDS International agreed to acquire and the Vendors agreed to sell 51% issued share capital (the "Sale Share") of China Honest Enterprises Limited ("China Honest") and the obligations, liabilities and debts owing by or due from China Honest to the Vendors (the "Sale Loan") as at the completion date (the "Acquisition"). A formal share and purchase agreement, incorporating the major terms and conditions in the Term Sheet had been entered into between EDS International and the Vendors on 18 October 2013 (the "Sale and Purchase Agreement"). Pursuant to the Sale and Purchase Agreement, EDS International conditionally agreed to acquire and the Vendors conditionally agreed to sell, the Sale Shares and the Sale Loan at the maximum consideration of HK$21.42 million. The maximum consideration shall be satisfied in the following manner: (a) a deposit of HK$2 million, being part payment of the consideration, had been paid by EDS International to the Vendors in cash upon signing of the Sale and Purchase Agreement; and (b) the remaining balance HK$19.42 million shall be satisfied by EDS International by payment of cash and procuring of the Company to issue of the promissory notes in the amount of HK$7.0 million and $6.42 million respectively on the completion date. The Acquisition constitutes a very substantial acquisition on the part of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to shareholders' approval at the extraordinary general meeting of the Company. Details of the transaction were set out in the Company's announcement and circular dated 4 November 2013 and 21 March 2014 respectively. The Acquisition had been completed on 11 April 2014. Following the completion of the Acquisition, China Honest became a 51% owned subsidiary of the Company whose results, assets and liabilities will be consolidated into the financial statements of the Company.

On 30 August 2013, the Company announced that on 29 August 2013, EDS Distribution Limited, an indirect wholly-owned subsidiary of the Company, has been granted by Montaigne Limited the exclusive distributorship of the "Evidens de Beauté" products in Macau up until 30 June 2015 which shall be renewed automatically thereafter for period of 1 year each unless terminated by either party. In May 2014, the Group cooperated with a renowned high fashion brand in Hong Kong for the sub-distribution of "Evidens de Beaute" products in its new concept store in Macau. With effect from August 2014, the counterparty had placed "Evidens de Beauté" products for retail sales in its new concept store in Macau.

A new "Extreme" line of the "Evidens de Beauté" products, (a) The Cream; and (b) The Serum, had been launched on market in December 2013.

On 20 March 2014, the Company and the Lender entered into a loan agreement (the "Second Loan Agreement"), pursuant to which, the Lender had conditionally agreed to grant a loan (the "Second Loan") in the principal amount of HK$30.0 million with an interest rate of 5% per annum to the Company for a term of 36 months from the date of drawdown. Details of the Second Loan Agreement were set out in the Company's announcement dated 20 March 2014.

With effect from 22 April 2014 (Bermuda Time), the Company had been deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda (the "Change in Domicile"). In connection with the Change of Domicile, the memorandum of continuance and bye-laws had been adopted by the Company.

After the Change of Domicile becoming effective on 22 April 2014 (Bermuda Time), with effect from 13 May 2014, the capital of the Company had been reorganised in the following manner (the "Capital Reorganisation"):

(a) the par value of each of the issued share of the Company of HK$0.10 was reduced to HK$0.001 by cancelling the paid-up capital to the extent of HK$0.099 on each issued share (the "Capital Reduction");

(b) the credit of HK$129,907,800.00 arising from the Capital Reduction had been transferred to the contributed surplus account of the Company. Together with the balance of HK$175,357,082.10 to be transferred from the share premium account of the Company, the balance of the contributed surplus account of the Company became HK$305,264,882.10 upon the Capital Reduction becoming effective. An amount of HK$278,123,606.72 had been drawn from the contributed surplus account of the Company and had been applied to set off against the accumulated losses of the Company; and

(c) after the Capital Reduction, effect a consolidation of the issued shares of the Company whereby every one hundred issued shares of HK$0.001 each in the share capital of the Company had been consolidated into one issued consolidated share of HK$0.10 each.

Details of the Change of Domicile and Capital Reorganisation were set out in the Company's announcement dated 23 April 2014.

On 22 May 2014, the Company announced that all conditions precedent to the subscription of the Convertible Bonds in the principal amount of HK$40.0 million and the First Loan Agreement had been fulfilled. The subscription for the Convertible Bonds in the principal amount of HK$40.0 million was completed on 22 May 2014 and the First Loan in the principal amount of HK$40.0 million was drawdown on 26 May 2014. Details of the transactions were set out in the Company's announcement dated 22 May 2014.

As the usage rate of the "La Spa Evidens" was not in full-capacity, the management decided to relocate the "La Spa Evidens" to a new premises at a prime location in Central, Hong Kong with effect from 13 June 2014. The new shop shall provide therapy services and sales of beauty products. Despite the fact that a loss on disposal of fixed assets of approximately HK$1.8 million was incurred by such relocation, the management believes that the relocation of the "La Spa Evidens" will maximize the economic benefit of the Group's operation in the long run by the potential increase in revenue derived from the sales of beauty products and the decrease of operating costs such as rental expenses.

On 25 June 2014, the Company announced the proposal to raise approximately HK$57.18 million before expenses by way of the open offer (the "Open Offer") issuing 19,061,000 offer shares (the "Offer Shares") on the basis of one Offer Share for every two existing shares held on the record date and payable in full upon application at the subscription price of HK$3.00 per Offer Share. Kingston Securities Limited was the underwriter (the "Underwriter") of the Open Offer. The Subscriber had irrevocably undertaken to the Company and the Underwriter (i) to convert the Convertible Bonds in the principal amount of HK$25,000,000.00 into 25,000,000 shares of the Company on or before the commencement of the book close period; (ii) not to convert the remaining balance of the Convertible Bonds in the principal amount of HK$15,000,000.00 into 15,000,000 shares of the Company on or before the record date; and (iii) to subscribe for or procure the subscription for the 12,500,000 Offer Shares to be allotted to it under its entitlement pursuant to the Open Offer (the "New Cove Undertaking"). The Board intended to apply all the net proceeds from the Open Offer, after deducting all relevant expenses, of approximately HK$54.00 million for the repayment of the outstanding debt of the Company. The Open Offer was completed on 11 August 2014. Details of the transactions were set out in the Company's announcement and prospectus dated 25 June 2014 and 17 July 2014 respectively. On 2 July 2014, the Subscriber converted the Convertible Bonds in the principal amount of HK$25,000,000.00 into 25,000,000 shares of the Company.

Financial Review

Due to De-consolidation, the financial statements of the Unconsolidated Subsidiaries have not been included in the audited consolidated financial information of the Group for the year ended 30 June 2014.

During the year under review, the Group recorded a turnover of approximately HK$27.6 million, representing an increase of approximately 238.8 % as compared with last year, of which approximately HK$16.5 million (2013: approximately HK$4.5 million), HK$11.1 million (2013: approximately HK$2.6 million) and HK$Nil (2013: approximately HK$1.1 million) were generated from the sales of beauty products, provision of therapy services and sales of beauty equipment respectively.

China Honest, the 51% owned subsidiary acquired on 11 April 2014, contributed approximately HK$9.3 million to the turnover of the Group, representing approximately 33.6% of the total turnover, of which approximately HK$0.3 million and HK$8.9 million were generated from the sales of beauty products and provision of therapy services respectively.

Other income of approximately HK$4.9 million (2013: approximately HK$9.1 million) was mainly contributed by the other interest income of approximately HK$4.7 million on overdue receivable in relation to the refundable deposits of approximately HK$39.1 million.

The gross profit margin was approximately 39.8% as compared with a gross loss margin of approximately 43.6% recorded in the last year. China Honest contributed approximately HK$4.0 million to the gross profit of the Group, representing approximately 36.7% of the total gross profit.

The selling and distribution costs was approximately HK$1.0 million (2013: approximately HK$2.3 million), representing a decrease of 56.5 % over the last year. China Honest accounted for approximately 20.9 % or HK$0.2 million of the total selling and distribution costs. The decrease in the selling and distribution costs was mainly contributed by the non-recurrence of one-off expenditure in relation to the initial launch of the brand "Evidens de Beauté" in Hong Kong in last year.

The administrative expenses was approximately HK$18.3 million (2013: approximately HK$21.8 million), representing a decrease of 16.0 % over the last year. China Honest accounted for approximately 5.0 % or HK$0.9 million of the total administrative expenses. Such decrease was mainly contributed by the decrease of staff costs of approximately HK$2.6 million and rental expense for office use of approximately HK$0.74 million during the year under review.

The finance costs of HK$6.7 million was mainly attributed to (i) the loan interest expenses paid to KIL and the Lender; and (ii) the imputed interest arisen from the issuance of convertible bonds and promissory notes during the year under review. The increase in approximately 77.7 % in the finance costs was consistent with the increase in the loan borrowings during the year under review.

The consolidated loss attributable to owners of the Company amounted to approximately HK$11.8 million for the year ended 30 June 2014 (2013: HK$23.6 million), representing a decrease of approximately 50.0 % as compared with last year. The improvement of the Group's results was mainly contributed by the turnaround of the Group's operation from gross loss margin to gross profit margin and the contribution from China Honest, the newly acquired 51% owned subsidiary during the year.

LIQUIDITY AND FINANCIAL RESOURCES

At 30 June 2014, the Group had total assets of HK$141.9 million (30 June 2013: HK$53.8 million), including cash and bank balances of approximately HK$43.1 million (30 June 2013: HK$1.8 million).

During the year under review, the Group financed its operation with internally generated cash flows, proceeds from the issuance of Convertible Bonds and the borrowings from KIL and the Lender.

CAPITAL STRUCTURE

(a) **Capital Reorganisation**

With effect from 13 May 2014, the capital of the Company had been reorganised in the following manner:

(i) the par value of each of the issued share of the Company of HK$0.10 was reduced to HK$0.001 by cancelling the paid-up capital to the extent of HK$0.099 on each issued share (the "Capital Reduction");

(ii) the credit of HK$129,907,800.00 arising from the Capital Reduction had been transferred to the contributed surplus account of the Company. Together with the balance of HK$175,357,082.10 to be transferred from the share premium account of the Company, the balance of the contributed surplus account of the Company became HK$305,264,882.10 upon the Capital Reduction becoming effective. An amount of HK$278,123,606.72 had been drawn from the contributed surplus account of the Company and had been applied to set off against the accumulated losses of the Company; and

(iii) after the Capital Reduction, effect a consolidation of the issued shares of the Company whereby every one hundred issued shares of HK$0.001 each in the share capital of the Company had been consolidated into one issued consolidated share of HK$0.10 each.

(b) At 30 June 2014, the total borrowings and other financial liabilities of the Group amounted to HK$105.2 million (30 June 2013: HK$42.4 million), representing:

   (i) the borrowings from the Lender of approximately HK$61.0 million which is unsecured, at an interest rate of 5% per annum and repayable within three years;

   (ii) the accrued interest expense for the borrowings up to 30 June 2014 payable to the Lender of approximately HK$0.4 million which is repayable within one year;

   (iii) the borrowings from Dr. Lo Shing Kei of approximately HK$1.4 million, which is unsecured, non-interest bearing and repayable on demand;

   (iv) the liability component of approximately HK$12.7 million in respect of the promissory notes in an aggregate principal amount of HK$13.42 million of which are non-interest bearing, unsecured and HK$7 million and HK$6.42 million are repayable on 30 June 2014 and 30 June 2015 respectively; and

   (v) the liability component of approximately HK$29.7 million in respect of the convertible bonds with an aggregate principal amount of HK$40.0 million issued to the Subscriber on 22 May 2014 which is unsecured, non-interest bearing and maturing on 22 November 2016.

GEARING RATIO

The gearing ratio, expressed as percentage of total borrowings to total assets, was 74.2 % (30 June 2013: 78.8%). The slight improvement in the ratio was mainly contributed by the increase in cash and bank balances from the issuance of convertible bonds and increase in assets resulted from the completion of the acquisition of China Honest.

CHARGE ON THE GROUP'S ASSETS

As at 30 June 2014, the Group had pledged bank deposits of approximately HK$12.5 million (2013: HK$0.5 million) to banks to secure banking facilities in respect of credit card and instalment sales arrangement.

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 30 June 2014, the Group had operating lease commitments of HK$7.6 million (30 June 2013: HK$4.1 million).

CONTINGENT LIABILITIES

As at 30 June 2014, save as disclosed in note (b) under the section headed "Litigation" below, the Group had no material contingent liabilities (30 June 2013: HK$Nil).

EMPLOYEES

At 30 June 2014, the Group had 50 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 enter into any new significant investment during the year ended 30 June 2014.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as the acquisition of China Honest 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 for the year ended 30 June 2014.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group does not have any concrete plan for material investments or capital assets for the coming year.

OUTLOOK

The management is cautious on the recent detrimental factors affecting the local retail market, including the slowdown of the growth of Mainland visitors to Hong Kong and the weakening of Mainland tourists' spending power and shall adopt a relatively conservative approach in business expansion. The Group will focus to expand its point of sale in high traffic and prime location.

Meanwhile, in addition to the relocation of the "La Spa Evidens", the management will exert other measures to control its operating costs and seek for opportunity to strengthen and broaden the capital base of the Group in order to improve its financial position.

On 15 August 2014, the Company and Kingston Securities Limited (the "Placing Agent") entered into a placing agreement (the "Placing Agreement"), pursuant to which the Company had conditionally agreed to place, through the Placing Agent on a best effort basis, 2,620,000 placing shares to currently expected not less than six placees at a price of HK$3.15 per placing share (the "Placing"). The gross proceeds and the net proceeds after deducting relevant expenses from the Placing will be approximately HK$8.25 million and approximately HK$7.86 million respectively. The Board intended to apply approximately HK$7.54 million and approximately HK$0.32 million of the net proceeds of the Placing for the repayment of all the outstanding loan indebted to the Lender and general working capital of the Group respectively. The Placing was completed on 28 August 2014. Together with the application of the net proceeds of HK$54.0 million raised by the Open Offer completed on 11 August 2014 for the repayment of the outstanding loan, the Group has repaid all its interest bearing borrowings as at the date of this announcement. The management is of the view that these fund raising exercises represent an opportunity to reduce the interest burden from the outstanding borrowings of the Group and in turn improve the financial position of the Group.

The Group will continue to promote the brand of the "Evidens de Beauté" products, including: (a) to subscribe advertising plan with a luxury magazine in Hong Kong; (ii) to arrange small group gatherings with beauty editors to share news within the industry and to increase the exposure of the "Evidens de Beauté" brand; and (iii) to place advertisements in social mobile media.

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 and 3 May 2013 respectively 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 ("Mr. Shum") in relation to the termination of the acquisition of 70% equity interest of Vertical Signal Investments Limited, pursuant to which Mr. Shum 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 of Hong Kong Special Administrative Region by BSHK against Mr. Shum, the subsequent execution of the deed of settlement (the "Deed of Settlement") by BSHK and Mr. Shum for the settlement of legal proceedings represented by the Writ, the extension to the repayment dates for Mr. Shum 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, the repayment proposal agreed between the Company and Mr. Shum (the "Repayment Proposal"), the new repayment proposal agreed between the Company and Mr. Shum (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.

As Mr. Shum defaulted to settle the outstanding amount due to the Company, the Company applied to 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. 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 that, among others, the Company be granted leave to substitute BSHK as the plaintiff in the legal action against Mr. Shum. 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 adjudged that Mr. Shum (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's immediate payment of the judgment debt. As Mr. Shum failed to settle the judgment debt, the Company applied to the Court 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 made an application to the Court 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's application. The application for making the Charging Orders and Garnishee Orders and Mr. Shum's application was therefore adjourned to be heard on 5 March 2014. The Court did not make judgment at the close of the hearing and will hand down the judgment later. As at the date of this announcement, the judgment has not yet been handed down by the Court.

(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 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.

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 and the default payment until the day of actual repayment (which is in the aggregate amount of RMB1,369,098.68 as at 31 January 2014), totalling RMB4,234,606.58;

(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 and the interest loss until the day of actual repayment (which is in the aggregate amount of RMB304.00 as at 31 January 2014), totalling RMB2,797.60;

(iii) order the appraisal fee of RMB7,500.00 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.

The Company instructed a lawyer in the PRC to defend the two cases. Three hearings were held by the People's Court of Huadu District on 16 June 2014, 30 June 2014 and 15 August 2014 respectively. The Court did not make judgment at the close of the third hearing and will hand down the judgment later. As at the date of this announcement, the judgment has not yet been handed down by the Court.

In view of the above, the Directors are of the view that no provision for the claims of these legal proceedings is required to be made at this stage.

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

During the year 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 30 June 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 annual results for the year ended 30 June 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.

Pursuant to the Stock Exchange letter dated 13 July 2012 to the Company, the Stock Exchange had questioned whether the Company has adequate financial reporting procedures and internal control systems to meet its obligations under the GEM Listing Rules before resumption of trading. In view of the above, the Company had appointed ZHONGLEI Risk Advisory Services Limited ("ZHONGLEI") to perform a review ("Review") and follow-up review (the "Follow-Up Review") of the procedures, systems and controls (including accounting and management systems) of the Group. A report of the Review was issued on 16 April 2013 in which recommendations were made by ZHONGLEI to the management of the Company for the enhancement of the internal controls of the Group in accordance with the deficiencies identified in the relevant financial procedures, systems and internal controls of the Group. A report of the Follow-Up Review was issued by ZHONGLEI on 5 September 2013 in which ZHONGLEI had followed up the progress for of the procedures implemented by the management to enhance and improve the financial reporting procedures and internal control systems. As disclosed in the Company's announcement dated 11 April 2014, on 18 February 2014, the Company received a written confirmation from ZHONGLEI to confirm that during the course of their review of the Company's internal control procedures, nothing has come to their attention to indicate that the Group had significant deficiency for its internal control procedures as of 5 September 2013.

During the year 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 save for certain deviations, details of which will be explained in the relevant paragraphs in this report.

Role of chairman and chief executive

Code provision A.2.1 of the CG Code and Report stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual.

Ms. Keung Wai Fun, Samantha resigned as the chief executive officer of the Company with effect from 7 March 2012. Since then, the position of chief executive officer remains vacant.

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. Yu Zhen Hua Johnny who is the Chairman and managing Director 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.

Establishment of written guidelines on dealings with the Company shares

Code provision A.6.4 of the CG Code and Report stipulates that the board should establish written guidelines no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers for relevant employees in respect of their dealings in the Company's securities. On 28 August 2013, the Board adopted the "Code for Securities Transactions for Directors" and "Code for Securities Transactions for Relevant Employees" to comply with the code provision.

Management functions

Code provisions D.1.1, D.1.2 and D.1.3 of the CG Code and Report stipulate that the board must give clear directions as to the powers of management, formalize the functions reserved to the board and those delegated to management and disclose the respective responsibilities, accountabilities and contributions of the board and management respectively. On 28 August 2013, the Board adopted the statements of "Board and Management Functions" and the "Delegated Authority Policy" to comply with these code provisions.

Corporate governance functions

Code provisions D.3.1 of the CG Code and Report stipulates that the terms of reference of the board (or a committee or committees performing this function) should include at least the duties specified in the CG Code and Report. On 28 August 2013, the Board adopted the "Terms of Reference — Board of Directors" to comply with the code provision.

Investor relations

Code provision E.1.4 of the CG Code and Report stipulates the board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness. On 28 August 2013, the Board adopted the "Shareholders Communication Policy" to comply with the code provision.

Financial reporting

Code provision C.1.2 of the CG Code and Report stipulates that management should provide all members of the Board with monthly updates giving balanced and understandable assessment of the Company's performance, position and prospects in sufficient details. In accordance with the findings of the Follow-Up Review Report, started from August 2013, all members of the Board are provided with monthly consolidated financial statements giving balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail.

By order of the Board
EDS Wellness Holdings Limited
Yu Zhen Hua Johnny
Chairman

Hong Kong, 18 September 2014

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Yu Zhen Hua Johnny, Mr. Chan Kin Wah Billy, Mr. Wang Shangzhong 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.

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