



EDS Wellness Holdings Limited

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

(Stock Code: 8176)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2015

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This report, for which the directors (the “Directors”) of EDS Wellness Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable 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.

This report 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.

INTERIM RESULTS

The board of Directors (the “**Board**”) of EDS Wellness Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2015 together with the comparative figures for 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	For the three months ended 30 June		For the six months ended 30 June	
		2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Turnover	4	10,546	14,322	20,703	19,080
Cost of sales		<u>(7,973)</u>	<u>(8,259)</u>	<u>(15,362)</u>	<u>(11,179)</u>
Gross profit		2,573	6,063	5,341	7,901
Other revenue	5	100	975	142	1,752
Selling and distribution costs		(628)	(262)	(905)	(347)
Administrative expenses		(6,380)	(10,391)	(11,226)	(13,466)
Impairment loss recognised in respect of deposits, prepayments and other receivables		<u>—</u>	<u>(74)</u>	<u>—</u>	<u>(80)</u>
Loss from operations	6	(4,335)	(3,689)	(6,648)	(4,240)
Finance costs	7	<u>(236)</u>	<u>(2,187)</u>	<u>(462)</u>	<u>(3,752)</u>
Loss before taxation		(4,571)	(5,876)	(7,110)	(7,992)
Income tax expense	8	<u>(160)</u>	<u>(487)</u>	<u>(348)</u>	<u>(487)</u>
Loss for the period		<u>(4,731)</u>	<u>(6,363)</u>	<u>(7,458)</u>	<u>(8,479)</u>
Other comprehensive income/ (expenses) for the period					
Item that may be subsequently reclassified to profit or loss:					
Exchange differences on translating foreign operations		<u>14</u>	<u>—</u>	<u>15</u>	<u>(6)</u>
Total comprehensive expenses for the period		<u>(4,717)</u>	<u>(6,363)</u>	<u>(7,443)</u>	<u>(8,485)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

	For the three months ended 30 June		For the six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Loss for the period attributable to:				
Owners of the Company	(5,006)	(7,513)	(8,360)	(9,629)
Non-controlling interests	<u>275</u>	<u>1,150</u>	<u>902</u>	<u>1,150</u>
	<u>(4,731)</u>	<u>(6,363)</u>	<u>(7,458)</u>	<u>(8,479)</u>
Total comprehensive expenses for the period attributable to:				
Owners of the Company	(4,992)	(7,513)	(8,345)	(9,635)
Non-controlling interests	<u>275</u>	<u>1,150</u>	<u>902</u>	<u>1,150</u>
	<u>(4,717)</u>	<u>(6,363)</u>	<u>(7,443)</u>	<u>(8,485)</u>
Loss per share				
	<i>10</i>			
— Basic and diluted	<u>HK(6.69)cents</u>	<u>HK(57.25)cents</u>	<u>HK(11.18)cents</u>	<u>HK(73.38)cents</u>

The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2015 <i>HK\$'000</i> (Unaudited)	At 31 December 2014 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	<i>11</i>	11,251	12,649
Goodwill	<i>12</i>	18,266	18,266
		<u>29,517</u>	<u>30,915</u>
Current assets			
Inventories		3,166	1,923
Trade receivables	<i>13</i>	4,347	5,546
Deposits, prepayments and other receivables	<i>14</i>	6,695	5,728
Restricted bank deposits		19,759	19,701
Cash and cash equivalents		93,604	26,553
		<u>127,571</u>	<u>59,451</u>
Total assets		<u>157,088</u>	<u>90,366</u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	<i>15</i>	7,480	7,480
Reserves		29,474	37,819
		<u>36,954</u>	45,299
Equity attributable to owners of the Company		<u>36,954</u>	45,299
Non-controlling interests		4,659	3,757
		<u>41,613</u>	<u>49,056</u>
Total equity		<u>41,613</u>	<u>49,056</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		At 30 June 2015 <i>HK\$'000</i> (Unaudited)	At 31 December 2014 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
LIABILITIES			
Current liabilities			
Amount due to a former director		64	64
Trade payables	16	111	210
Accruals and other payables		5,024	5,080
Receipt in advance	17	72,634	—
Other borrowings	18	10,117	3,850
Promissory notes	19	—	6,069
Tax payables		1,851	1,502
Deposits from customers		79	80
Deferred revenue		25,435	24,000
Obligations under financial leases		153	444
		<u>115,468</u>	<u>41,299</u>
Non-current liability			
Obligations under finance leases		7	11
		<u>7</u>	<u>11</u>
Total liabilities		<u>115,475</u>	<u>41,310</u>
Total equity and liabilities		<u>157,088</u>	<u>90,366</u>
Net current assets		<u>12,103</u>	<u>18,152</u>
Total assets less current liabilities		<u>41,620</u>	<u>49,067</u>

The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company							Sub-total	Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Contributed surplus	Convertible bonds reserve	Translation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014 (unaudited)	131,220	175,357	22,734	—	—	16	(329,545)	(218)	—	(218)
Loss for the period	—	—	—	—	—	—	(9,629)	(9,629)	1,150	(8,479)
Other comprehensive expenses for the period:										
Exchange differences on translating foreign operations	—	—	—	—	—	(6)	—	(6)	—	(6)
Total comprehensive expenses for the period	—	—	—	—	—	(6)	(9,629)	(9,635)	1,150	(8,485)
Non-controlling interests arising on acquisition of a subsidiary (note 20)	—	—	—	—	—	—	—	—	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 (audited)	<u>1,312</u>	<u>—</u>	<u>22,734</u>	<u>27,141</u>	<u>8,934</u>	<u>10</u>	<u>(61,050)</u>	<u>(919)</u>	<u>1,861</u>	<u>942</u>
At 1 January 2015 (audited)	7,480	97,922	—	27,141	—	11	(87,255)	45,299	3,757	49,056
Loss for the period	—	—	—	—	—	—	(8,360)	(8,360)	902	(7,458)
Other comprehensive income for the period:										
Exchange differences on translating foreign operations	—	—	—	—	—	15	—	15	—	15
Total comprehensive expenses for the period	—	—	—	—	—	15	(8,360)	(8,345)	902	(7,443)
At 30 June 2015 (unaudited)	<u>7,480</u>	<u>97,922</u>	<u>—</u>	<u>27,141</u>	<u>—</u>	<u>26</u>	<u>(95,615)</u>	<u>36,954</u>	<u>4,659</u>	<u>41,613</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	68,363	(4,045)
Net cash used in investing activities	(879)	(15,209)
Net cash (used in)/generated from financing activities	(448)	48,171
Net increase in cash and cash equivalents	67,036	28,917
Cash and cash equivalents at beginning of the period	26,553	1,722
Effects of foreign exchange rate changes	15	(6)
Cash and cash equivalents at end of the period	93,604	30,633
Analysis of the balances of cash and cash equivalents		
Cash at bank and on hand	93,604	30,633
Restricted bank deposits	19,759	19,663
	113,363	50,296
<i>Less:</i> restricted bank deposits	(19,759)	(19,663)
Cash and cash equivalents	93,604	30,633

The accompanying notes form an integral part of these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market (“**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Group for the six months ended 31 December 2014.

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value.

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the audited consolidated financial statements of the Group for the six months ended 31 December 2014.

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

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

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

3. OPERATING SEGMENTS

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

- (a) Sale of beauty products
- (b) Provision of therapy services

An analysis of the Group's reportable segment results, assets and liabilities and other selected financial information for the six months ended 30 June 2015 and 2014 by operating segments are as follows:

(a) Segment results, assets and liabilities

Six months ended 30 June 2015

	Sale of beauty products HK\$'000 (Unaudited)	Provision of therapy services HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Revenue			
Segment revenue from external customers	<u>2,124</u>	<u>18,579</u>	<u>20,703</u>
Results			
Segment (loss)/profit	<u>(126)</u>	<u>4,562</u>	4,436
Interest income on bank deposits			129
Unallocated corporate income			1
Unallocated corporate expenses			(11,226)
Gain on disposal of property, plant and equipment			12
Imputed interest on promissory notes			(351)
Finance costs			<u>(111)</u>
Loss before taxation			(7,110)
Income tax expense			<u>(348)</u>
Loss for the period			<u>(7,458)</u>

At 30 June 2015

	Sale of beauty products <i>HK\$'000</i> (Unaudited)	Provision of therapy services <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Assets			
Segment assets for reportable segments	<u>1,728</u>	<u>15,982</u>	17,710
Unallocated corporate assets			<u>139,378</u>
Consolidated total assets			<u>157,088</u>
Liabilities			
Segment liabilities for reportable segments	<u>(197)</u>	<u>(26,033)</u>	(26,230)
Unallocated corporate liabilities			<u>(89,245)</u>
Consolidated total liabilities			<u>(115,475)</u>

Six months ended 30 June 2014

	Sale of beauty products <i>HK\$'000</i> (Unaudited)	Provision of therapy services <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Revenue			
Segment revenue from external customers	<u>9,184</u>	<u>9,896</u>	<u>19,080</u>
Results			
Segment profit	<u>3,652</u>	<u>3,902</u>	7,554
Interest income on bank deposits			13
Gain on disposal of property, plant and equipment			183
Unallocated corporate income			1,556
Unallocated corporate expenses			(11,639)
Imputed interest on convertible bonds			(411)
Imputed interest on promissory notes			(326)
Loss on disposal of property, plant and equipment			(1,816)
Written down of property, plant and equipment			(2)
Written off of deposits			(6)
Written off of inventories			(1)
Written off of trade receivables			(2)
Impairment loss recognised in respect of deposits, prepayments and other receivables			(80)
Finance costs			<u>(3,015)</u>
Loss before taxation			(7,992)
Income tax expense			<u>(487)</u>
Loss for the period			<u><u>(8,479)</u></u>

At 31 December 2014

	Sale of beauty products <i>HK\$'000</i> (Audited)	Provision of therapy services <i>HK\$'000</i> (Audited)	Consolidated <i>HK\$'000</i> (Audited)
Assets			
Segment assets for reportable segments	751	17,602	18,353
Unallocated corporate assets			72,013
Consolidated total assets			90,366
Liabilities			
Segment liabilities for reportable segments	(135)	(25,110)	(25,245)
Unallocated corporate liabilities			(16,065)
Consolidated total liabilities			(41,310)

(b) Other segment information

Six months ended 30 June 2015

	Sale of beauty products <i>HK\$'000</i> (Unaudited)	Provision of therapy services <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Amounts included in the measure of segment (loss)/profit and segment assets				
Additions to property, plant and equipment	—	533	520	1,053
Depreciation of property, plant and equipment	—	960	1,393	2,353
Gain on disposal of property, plant and equipment	—	12	—	12

Six months ended 30 June 2014

	Sale of beauty products <i>HK\$'000</i> (Unaudited)	Provision of therapy services <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Amounts included in the measure of segment profit and segment assets				
Additions to property, plant and equipment	—	3,557	6,740	10,297
Depreciation of property, plant and equipment	—	500	1,128	1,628
Gain on disposal of property, plant and equipment	—	94	89	183
Loss on disposal of property, plant and equipment	—	—	1,816	1,816
Written down of property, plant and equipment	—	—	2	2
	<u>—</u>	<u>—</u>	<u>2</u>	<u>2</u>

(c) **Geographical segments — Turnover**

The Group mainly operates in Hong Kong.

4. **TURNOVER**

	For the three months ended 30 June		For the six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Sale of beauty products	1,436	4,904	2,124	9,184
Provision of therapy services	9,110	9,418	18,579	9,896
	<u>10,546</u>	<u>14,322</u>	<u>20,703</u>	<u>19,080</u>

5. OTHER REVENUE

	For the three months ended 30 June		For the six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Gain on disposal of property, plant and equipment	—	183	12	183
Interest income on bank deposits	99	12	129	13
Other interest income	—	780	—	1,552
Sundry income	1	—	1	4
	<u>100</u>	<u>975</u>	<u>142</u>	<u>1,752</u>

6. LOSS FROM OPERATIONS

	For the three months ended 30 June		For the six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Loss from operations has been arrived at after charging:				
Depreciation on property, plant and equipment	1,181	1,097	2,353	1,628
Impairment loss recognised in respect of deposits, prepayments and other receivables	—	74	—	80
Operating lease rentals in respect of rented premises	1,644	1,845	3,148	2,814
Staff costs including directors' emoluments:				
— salaries and other allowances	6,030	3,750	10,750	5,188
— contributions to retirement benefits scheme	772	131	913	190
	<u>6,802</u>	<u>3,881</u>	<u>11,663</u>	<u>5,378</u>
Loss on disposal of property, plant and equipment	—	1,800	—	1,816
Written down of property, plant and equipment	—	2	—	2
Written off of deposits	—	—	—	6
Written off of inventories	—	—	—	1
Written off of trade receivables	—	2	—	2
	<u>—</u>	<u>2</u>	<u>—</u>	<u>2</u>

7. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Imputed interest on convertible bonds	—	411	—	411
Imputed interest on promissory notes	176	326	351	326
Interest on finance leases	21	19	43	24
Interest on other borrowings wholly payable within 5 years	39	1,431	68	2,991
	<u>236</u>	<u>2,187</u>	<u>462</u>	<u>3,752</u>

8. INCOME TAX EXPENSE

	For the three months ended 30 June		For the six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Current tax expense				
— Hong Kong Profits Tax	(160)	(555)	(348)	(555)
Deferred tax credit	—	68	—	68
	<u>(160)</u>	<u>(487)</u>	<u>(348)</u>	<u>(487)</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2015 (six months ended 30 June 2014: 16.5%).

The Group's subsidiaries set up in the People's Republic of China (the "PRC") are subjected to the PRC Enterprise Income Tax at 25% for the six months ended 30 June 2015 (six months ended 30 June 2014: 25%). No provision for the PRC Enterprise Income Tax has been made for the six months ended 30 June 2015 as the PRC subsidiaries have no assessable profit (six months ended 30 June 2014: Nil).

9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

10. LOSS PER SHARE

	For the three months ended 30 June		For the six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Loss for the period attributable to owners of the Company	<u>5,006</u>	<u>7,513</u>	<u>8,360</u>	<u>9,629</u>
	<i>'000</i> (Unaudited)	<i>'000</i> (Unaudited)	<i>'000</i> (Unaudited)	<i>'000</i> (Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per shares	<u>74,803</u>	<u>13,122</u>	<u>74,803</u>	<u>13,122</u>

Diluted loss per share for the three months ended and six months ended 30 June 2015 were the same as the basic loss per share as there were no dilutive event.

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

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired certain items of property, plant and equipment in an aggregate cost of approximately HK\$1,053,000 (six months ended 31 December 2014: HK\$467,000). Items of certain depreciated property, plant and equipment with a carrying amount of approximately HK\$98,000 were disposed of during the six months ended 30 June 2015 (six months ended 31 December 2014: HK\$21,000), resulting a gain on disposal of approximately HK\$12,000 (six months ended 31 December 2014: HK\$9,000).

12. GOODWILL

	At 30 June 2015 <i>HK\$'000</i> (Unaudited)	At 31 December 2014 <i>HK\$'000</i> (Audited)
At beginning of the period	18,266	18,266
Less: impairment loss recognised	<u>—</u>	<u>—</u>
At end of the period	<u>18,266</u>	<u>18,266</u>

Impairment test of goodwill

Goodwill acquired through business combination has been allocated to the cash generating units in respect of sale of beauty products and provision of therapy services (the “Group of CGUs”), which are reportable segments, for impairment testing.

For the six months ended 30 June 2015, no impairment loss was recognised in respect of goodwill as its recoverable amount exceeds the carrying amount of which, the recoverable amount of the Group of CGUs is determined based on a value-in-use calculation which uses cash flow projection based on financial budgets approved by the directors of the Company covering a five-year period, and a pre tax discount rate of 17.55% per annum (at 31 December 2014: 17.51% per annum).

Cash flow projects during the budget period are based on the financial budget approved by the management covering a five-year period and assumed growth rate are used to extrapolate the cash flows in the following years. The financial budgets are prepared based on a five-year business plan which is appropriate after considering the sustainability of business growth, stability of core business developments and achievement of business targets. The financial model assumes an average growth rate of 3.5% per annum beyond the five-year period taking into account of long term gross domestic product growth, inflation rate and other relevant economic factors.

13. TRADE RECEIVABLES

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
0 – 30 days	2,984	3,979
31 – 60 days	1,134	1,057
61 – 90 days	211	428
91 – 120 days	18	82
Over 120 days	—	—
	<u>4,347</u>	<u>5,546</u>

The Group allows an average credit period of 0 day to 120 days to its customers.

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Deposits	2,951	2,238
Prepayments	1,517	871
Other receivables, net of impairment (<i>Note</i>)	2,227	2,619
	<u>6,695</u>	<u>5,728</u>

Note:

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

The acquisition did not proceed and the Group has entered into various deed of termination and deeds of settlement with Mr. Shum and a deed of guarantee with Dutfield International Group Company Limited (“**Dutfield**”) in relation to the repayment of the refundable deposit. As Mr. Shum defaulted in the full repayment of the refundable deposit and the accrued contractual interest despite repeated demands and requests, the Company had obtained a judgment against Mr. Shum pursuant to which it was adjudged, inter alia, that Mr. Shum shall pay to the Company the sum of HK\$39,127,500 (being the amount of the outstanding and unpaid refundable deposit) together with contractual interest at the rate of 30% per annum from 1 May 2013 to 6 September 2013 and thereafter at judgment rate pursuant to s.48 of the High Court Ordinance until payment. As at 31 December 2014, the aggregate amount of the outstanding and unpaid refundable deposit and the accrued interest was approximately HK\$46,500,000. Since (i) Mr. Shum failed to settle the judgment debt and the accrued interest and commenced various legal actions to prevent the Company from recovering the judgment debt and the accrued interest including a fresh legal action as announced by the Company in its announcement dated 23 January 2015; (ii) it was unclear whether and when the Company would be able to receive the judgment debt and the accrued interest in full from selling (1) the charged shares in Mr. Shum’s companies; and (2) the charged properties as those properties were held by Mr. Shum and another individual as joint tenants and subject to mortgages given that the Company did not have the information of the financial status of Mr. Shum and his companies, the amount of Mr. Shum’s interest in the charged properties and the outstanding loan amounts under the mortgages; and (iii) the ability of Dutfield to fulfil its obligations under the guarantee depended on the outcome of the legal proceedings for, inter alia, its claim for the sum of HK\$141,360,000 under a loan agreement but Dutfield failed to obtain a summary judgment against the debtor and the outcome of the legal proceedings was uncertain, the Company decided to recognise an impairment on the judgment debt and the accrued interest in the aggregate amount of approximately HK\$46,500,000. For further details, please refer to the Company’s announcements dated 5 April 2012, 4 July 2012, 24 July 2012, 3 August 2012, 21 August 2012, 28 September 2012, 26 October 2012, 1 November 2012, 21 December 2012, 29 January 2013, 25 April 2013, 3 May 2013, 12 January 2015, 23 January 2015, 1 April 2015, 19 May 2015 and 9 June 2015 and the sub-section headed “Litigations” under the section headed “Management Discussion and Analysis” of the interim report dated 11 August 2015 for the six months ended 30 June 2015 of the Company.

15. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.10 each (2014: HK\$0.10 each)		
<i>Authorised:</i>		
At 1 July 2014 and 31 December 2014, 1 January 2015 and 30 June 2015	<u>5,000,000</u>	<u>500,000</u>
<i>Issued and fully paid:</i>		
At 1 July 2014	13,122	1,312
Conversion of convertible bonds (<i>note a</i>)	40,000	4,000
Open offer of new shares (<i>note b</i>)	19,061	1,906
Placing of new shares (<i>note c</i>)	<u>2,620</u>	<u>262</u>
At 31 December 2014, 1 January 2015 and 30 June 2015	<u>74,803</u>	<u>7,480</u>

Notes:

- (a) On 2 July 2014 and 30 September 2014, New Cove Limited, a wholly-owned subsidiary of Eternity Investment Limited (“**Eternity**”), converted the principal amounts of HK\$25,000,000 and HK\$15,000,000 of the convertible bonds of the Company into 25,000,000 and 15,000,000 ordinary shares of HK\$0.10 each at the initial conversion price of HK\$1.00 per ordinary share respectively.
- (b) On 11 August 2014, 19,061,000 new ordinary shares of HK\$0.10 each were allotted and issued at a subscription price of HK\$3.00 per ordinary share by way of open offer to the qualifying shareholders of the Company on the basis of one new ordinary share for every two existing ordinary shares held on 16 July 2014. The net proceeds of approximately HK\$54,000,000 were used for the repayment of the outstanding loan indebted to Hong Kong Builders Finance Limited (“**Hong Kong Builders**”), a wholly-owned subsidiary of Eternity.
- (c) On 28 August 2014, 2,620,000 new ordinary shares of HK\$0.10 each were allotted and issued at a price of HK\$3.15 per ordinary share by way of placing of new shares under general mandate, raising approximately HK\$7,860,000 (net of expenses), of which approximately HK\$7,540,000 was used for the repayment of all outstanding loan indebted to Hong Kong Builders and approximately HK\$320,000 was used for general working capital of the Group.

16. TRADE PAYABLES

	At 30 June 2015 <i>HK\$'000</i> (Unaudited)	At 31 December 2014 <i>HK\$'000</i> (Audited)
0 – 30 days	110	177
31 – 60 days	—	—
61 – 90 days	1	—
91 – 120 days	—	—
Over 120 days	—	33
	<u>111</u>	<u>210</u>

17. RECEIPT IN ADVANCE

On 17 February 2015, the Company as issuer and Xing Hang Limited, Goldenland Mining & Investment Limited, Silver Empire Holding Limited, Truly Elite Limited, High Aim Global Limited and First Bonus International Limited (collectively referred to as the “**Subscribers**”) entered into a subscription agreement. Pursuant to which, the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Subscribers a total of 345,000,000 new ordinary shares of the Company and 30,000,000 new convertible preferred shares of par value of HK\$0.10 each in the share capital of the Company at a subscription price of HK\$0.40 per new ordinary share/new convertible preferred share.

The Company has received a sum of approximately HK\$72,634,000 from four of the Subscribers on 14 April 2015.

18. OTHER BORROWINGS

	At 30 June 2015 <i>HK\$'000</i> (Unaudited)	At 31 December 2014 <i>HK\$'000</i> (Audited)
Interest bearing other borrowings (<i>Note a</i>)	10,117	2,450
Non-interest bearing other borrowings (<i>Note b</i>)	—	1,400
	<u>10,117</u>	<u>3,850</u>

Notes:

- (a) At 30 June 2015, the Group had the following outstanding borrowings:
- (i) a loan of HK\$7,500,000 granted to the Company by an independent third party, which is interest bearing at 10.00% per annum, unsecured and maturing on 10 June 2016; and
 - (ii) a loan of approximately HK\$2,617,000 (31 December 2014: HK\$2,450,000) advanced by Koffman Investment Limited (“**Koffman Investment**”), a company which is 50% owned by Mr. Yu Zhen Hua, Johnny (the former chairman of the board of directors of the Company), to the Group, which is interest bearing at 5% per annum, unsecured and maturing on 25 August 2015.
- (b) At 31 December 2014, the outstanding loan of HK\$1,400,000 granted to the Group by an independent third party, which is non-interest bearing, unsecured and repayable on demand. The amount of the outstanding loan was fully repaid on 12 March 2015.

19. PROMISSORY NOTES

	At 30 June 2015 <i>HK\$'000</i> (Unaudited)	At 31 December 2014 <i>HK\$'000</i> (Audited)
At beginning of the period	6,069	12,718
Imputed interest on promissory notes	351	351
Repayment of promissory notes	<u>(6,420)</u>	<u>(7,000)</u>
	<u>—</u>	<u>6,069</u>

On 11 April 2014, the Company issued four promissory notes in the aggregate principal amount of HK\$13,420,000 to two independent third parties (the “**Vendors**”) as part of the consideration for the acquisition (the “**Acquisition**”) of 51% equity interest in China Honest Enterprises Limited (“**China Honest**”) by the Group. The four promissory notes are interest-free and unsecured. Two of the promissory notes in the principal amounts of HK\$2,608,000 and HK\$4,392,000 (collectively, the “**PNs I**”) were maturing on 30 June 2014. The remaining two promissory notes in the principal amounts of HK\$4,028,000 and HK\$2,392,000 (collectively, the “**PNs II**”) were maturing on 30 June 2015.

Pursuant to the terms of the Acquisition, the Vendors have irrevocably and unconditionally warranted and guaranteed to the Company the profits before taxation and extraordinary items of China Honest for the years ending 31 March 2014 and 2015 will not be less than HK\$4,000,000 (the “**2014 Guaranteed Profit**”) and HK\$9,000,000 (the “**2015 Guaranteed Profit**”) respectively. In the event of the 2014 Guaranteed Profit or 2015 Guaranteed Profit is not fulfilled, the Vendors shall compensate the Group an amount equivalent to the shortfall by way of setting off the shortfall against the face value of the PNs I (for the shortfall in respect of the year ending 31 March 2014) or the PNs II (for the shortfall in respect of the year ending 31 March 2015) on a dollar to dollar basis.

The 2014 Guaranteed Profit and 2015 Guaranteed Profits were fulfilled, the PNs I and the PNs II were fully repaid on 27 July 2014 and 30 June 2015 respectively.

20. BUSINESS COMBINATION

On 11 April 2014, the Group completed the acquisition of 51% equity interest in China Honest, which was satisfied by (i) the deposit and partial payment of the consideration of HK\$2,000,000; (ii) cash in the amount of HK\$6,000,000; and (iii) the issuance of the promissory notes with an aggregate principal amount of HK\$13,420,000, which comprise of PNs I with an aggregate principal amount of HK\$7,000,000 and PNs II with an aggregate principal amount of HK\$6,420,000.

China Honest is principally engaged in provision of beauty and wellness services. The Acquisition enables the Group to continue the expansion of its operation.

The following table summarises the consideration paid for China Honest, the provisional fair value of assets acquired, liabilities assumed and the non-controlling interests at 11 April 2014.

HK\$'000
(Audited)

Consideration:

— Cash paid	8,000
— PNs I	6,824
— PNs II	5,568
	<hr/>
Total consideration	20,392

Recognised amounts of identifiable assets acquired and liabilities assumed

Property, plant and equipment	7,528
Restricted bank deposits	7,147
Inventories	629
Trade receivables	3,423
Deposits and prepayments	3,151
Bank balances and cash	5,337
Amount due to a director	(1,387)
Trade payables	(163)
Deposits from customers	(3)
Deferred revenue	(21,010)
Accruals and other payables	(892)
Obligation under finance leases	(852)
Other borrowing (<i>note 18</i>)	(1,400)
Tax payable	(58)
	<hr/>
Total identifiable net assets at fair value	1,450
Non-controlling interests (49% of China Honest)	(711)
Sale loan	1,387
Goodwill (<i>note 12</i>)	18,266
	<hr/>
	20,392

HK\$'000
(Audited)

Net cash outflow on acquisition of a subsidiary:

Consideration paid in cash	8,000
Less: cash and cash equivalents acquired	<u>(5,337)</u>
	<u><u>2,663</u></u>

21. COMMITMENTS

The Group as lessee

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

	At 30 June 2015 <i>HK\$'000</i> (Unaudited)	At 31 December 2014 <i>HK\$'000</i> (Audited)
Within one year	6,047	4,096
In the second to fifth year inclusive	<u>8,343</u>	<u>415</u>
	<u><u>14,390</u></u>	<u><u>4,511</u></u>

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

22. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group had entered into the following material related party transactions:

		For the six months ended 30 June	
Name of parties	Nature of transactions	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
BSHK (<i>Note a</i>)	Legal and professional fee paid on behalf of	—	80
Koffman Investment (<i>Note b</i>)	Interest on other borrowings	53	2,558
Koffman Corporate Service Ltd ("Koffman Corporate") (<i>Note c</i>)	Rental expenses	<u>240</u>	<u>240</u>

Notes:

- (a) BSHK was de-consolidated on 1 July 2011. Upon disposal of Blu Spa Group Limited during the six months ended 31 December 2014, BSHK has been reclassified from amounts due from unconsolidated subsidiaries to other receivables.
- (b) The issued share of Koffman Investment is 50% owned by Mr Yu Zhen Hua, Johnny, the former chairman of the board of directors of the Company.
- (c) Mr. Yu Zhen Hua, Johnny, the former chairman of the board of directors of the Company, is an ultimate beneficial owner of Koffman Corporate.

Compensation for key management personnel

Remuneration for key management personnel, including amounts paid to the Company's directors and certain of the highest paid employees for the six months ended 30 June 2015 and 2014, is as follows:

	For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Salaries and allowances	850	373
Contributions to retirement benefits scheme	9	3
	<u>859</u>	<u>376</u>

23. CONTINGENT LIABILITIES

- (a) On 23 January 2015, the Company received a writ of summons in High Court Action No. 200 of 2015 issued by Mr. Shum Yeung (“**Mr. Shum**”) as plaintiff against the Company as defendant for the following claims:
 - (i) the Judgment in High Court Action No. 1775 of 2012 dated 6 September 2013 (the “**Summary Judgement**”), pursuant to which the Court of First Instance of the High Court of Hong Kong (the “Court of First Instance”) adjudged that Mr. Shum (1) do pay the Company the sum of HK\$39,128,000 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) shall pay the Company the costs of the action including the costs of and occasioned by the Company's application for the Summary Judgment to be taxed if not agreed, entered against Mr. Shum be set aside;
 - (ii) loss and damages suffered by Mr. Shum as a result of the Summary Judgement being obtained against him;
 - (iii) an order for discovery upon oath of all matters relating to the Summary Judgement;

- (iv) an order for payment of all sums found due to Mr. Shum together with the interest thereon at such rate and for such period as the High Court may deem just pursuant to the High Court Ordinance;
 - (v) the costs; and
 - (vi) further or other relief.
- (b) On 30 March 2015, the Company received a statement of claim in the High Court of Hong Kong filed by Mr. Shum in relation to High Court Action No. 200 of 2015.

24. EVENTS AFTER REPORTING PERIOD

The Group had no material events took place subsequent to 30 June 2015 and up to the date of the condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

During the period under review, the performance of the sale of beauty products was not satisfactory. As the decline in growth of the number of Mainland visitors to Hong Kong and their spending power has affected the whole retail sector in Hong Kong since last year, the revenue derived from the sale of beauty products and provision of therapy services under the brand name “Evidens de Beauté” recorded a substantial decrease as compared with that of the last corresponding period.

On 15 April 2015, a joint announcement (the “**Joint Announcement**”) was published by the Company, Xing Hang Limited (“**Xing Hang**”) and Eternity Investment Limited in respect of, among other things, the subscription of 345,000,000 new ordinary shares of the Company and 30,000,000 new convertible preferred shares of par value of HK\$0.10 each in the share capital of the Company (the “**Subscription**”) under the subscription agreement dated 17 February 2015 (the “**Subscription Agreement**”) entered into between the Company and six subscribers (the “**Subscribers**”), the master supply agreement (the “**Master Supply Agreement**”) to be entered into between the Company and Shenzhen Donica Electronic Technology Co., Ltd upon completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement, the transaction and the proposed annual caps as contemplated in the Master Supply Agreement, the unconditional mandatory cash offer to be made by Kingston Securities Limited on behalf of Xing Hang to acquire all the issued ordinary shares of the Company (other than the ordinary shares of the Company owned or agreed to be acquired by Xing Hang and parties acting in concert with it), the reclassification and

redesignation of the existing authorised share capital of the Company and the amendment to the bye-laws of the Company (the “**Transactions**”). The Transactions are subject to the approval of the independent shareholders of the Company. As at the date of this report, the Company is in the process of preparing the circular in relation to the Transactions. Details of the Transactions were set out in the Joint Announcement dated 15 April 2015.

On 13 April 2015, the Group set up a wholly-foreign-owned enterprise (the “**WFOE**”) in Shenzhen, the PRC, namely 深圳多尼卡互聯技術有限公司 (Shenzhen Donica Networking Technology Co. Ltd.[#]), with a registered share capital of RMB5 million (equivalent to HK\$6.3 million), for the development of new business in in-flight WLAN and WIFI engineering and service business. The management believes that by the set up of the WFOE, the Group will develop such business more efficiently.

On 11 June 2015, the Company as borrower entered into a loan agreement (the “**Loan Agreement**”) with Pure Profit Holdings Limited, an independent third party (the “**Lender**”), pursuant to which the Lender agreed to grant a loan to the Company in the principle amount of up to HK\$10 million (the “**Loan**”). The Loan is unsecured, with an interest rate of 10% per annum and maturing on 10 June 2016. The proceeds from the Loan will be utilized for developing a new business in the provision of inflight WLAN and WIFI engineering and services to airline companies in the PRC as mentioned in the Joint Announcement. Details of the Loan were set out in the Company’s announcement dated 11 June 2015.

On 19 June 2015, a supplemental agreement was entered into by the Company and the Subscribers to extend the long stop date of the Subscription Agreement from 19 June 2015 to 31 August 2015 or such other date as may be agreed by the parties to the Subscription Agreement in writing. Save for the aforesaid, no other amendments were made to the Subscription Agreement. Details of the supplemental agreement were set out in the Company’s announcement dated 19 June 2015.

On 6 July 2015, the Company announced that according to the guarantee certificate received on 30 June 2015, the profit guarantee of China Honest Enterprises Limited (“**China Honest**”) for the year ended 31 March 2015 has been fulfilled and the promissory notes, due payable on 30 June 2015, issued by the Company as part of the consideration for the acquisition of China Honest, were fully repaid on 30 June 2015 pursuant to the terms of the sale and purchase agreement dated 18 October 2013. Details of the profit guarantee were set out in the Company’s announcement dated 4 November 2013 and the circular of the Company dated 21 March 2014.

Financial Review

During the period under review, the Group recorded a turnover of approximately HK\$20.7 million, representing an increase of approximately 8.5% as compared with last corresponding period, of which approximately HK\$2.1 million (2014: approximately HK\$9.2 million) and approximately HK\$18.6 million (2014: approximately HK\$9.9 million) were generated from the sale of beauty products and the provision of therapy services respectively.

[#] *The English translation of the Chinese name in this report, where indicated, is for information purpose only, and shall not be recognised as the official English name of such Chinese name.*

During the period under review, the revenue generated from the sale of beauty products and provision of therapy services by China Honest, a 51% owned subsidiary, was approximately HK\$0.8 million (2014: approximately HK\$0.3 million) and HK\$18.2 million (2014: approximately HK\$8.9 million) respectively. The revenue generated from the sale of beauty products and the provision of therapy services under the brand name “Evidens de Beauté” was approximately HK\$1.3 million (2014: approximately HK\$8.6 million) and HK\$0.4 million (2014: approximately HK\$0.9 million) respectively.

The gross profit margin was approximately 25.8% (2014: approximately 41.4%). China Honest contributed approximately HK\$5.8 million to the gross profit of the Group, while the operations under the brand name “Evidens de Beauté” recorded a gross loss of approximately HK\$0.4 million.

Other revenue of approximately HK\$0.1 million (2014: approximately HK\$1.8 million) was mainly contributed by the interest income on bank deposits. The decrease in other revenue was mainly attributed to the absence of interest income on other receivable, which was impaired in December 2014, of approximately HK\$1.55 million.

The selling and distribution costs was approximately HK\$0.9 million (2014: approximately HK\$0.3 million), representing an increase of approximately 160.1% over the last corresponding period. Such increase was mainly attributed to advertising expenses incurred by China Honest, which is acquired by the Group in April 2014 during the period under review. China Honest accounted for approximately 79.6% or HK\$0.7 million of the total selling and distribution costs.

The administrative expenses was approximately HK\$11.2 million (2014: approximately HK\$13.5 million), representing a decrease of 16.6% over the last corresponding period. Such decrease was mainly contributed by the absence of the loss on disposal of fixed assets incurred in the relocation of the spa centre in June 2014 and the legal and professional fees incurred in the second quarter of 2014 for the resumption of trading in the Company’s shares on the Stock Exchange. China Honest accounted for approximately 25.5% or HK\$2.9 million of the total administrative expenses during the period under review.

The finance costs of approximately HK\$0.5 million (2014: approximately HK\$3.8 million) was mainly attributed to the imputed interest on the promissory notes of approximately HK\$0.4 million during the period under review. The decrease was mainly contributed by the decrease in interest on other borrowings from approximately HK\$3.0 million in the last corresponding period to approximately HK\$0.1 million in the current period, due to the full repayment of the borrowing from Koffman Investment by the Company in June 2014.

The consolidated loss attributable to owners of the Company amounted to approximately HK\$8.4 million for the six months ended 30 June 2015 (2014: approximately HK\$9.6 million). The improvement of the results was mainly contributed by (i) the decrease in finance costs and (ii) the absence of the legal and professional fees for resumption incurred in 2014 and the loss on disposal of fixed assets in 2014.

LIQUIDITY AND FINANCIAL RESOURCES

At 30 June 2015, the Group had total assets of approximately HK\$157.1 million (31 December 2014: approximately HK\$90.4 million), including cash and cash equivalents of approximately HK\$93.6 million (31 December 2014: approximately HK\$26.6 million).

During the period under review, the Group financed its operation with internally generated cash flows and borrowings.

BORROWINGS

At 30 June 2015, the total borrowings and other financial liabilities of the Group amounted to approximately HK\$10.3 million (31 December 2014: approximately HK\$10.4 million), representing:

- (i) a loan of HK\$7.5 million granted by the Lender which is bearing at 10.0% per annum, unsecured and maturing on 10 June 2016;
- (ii) a loan of approximately HK\$2.6 million advanced by Koffman Investment Limited, a company which is 50% owned by Mr. Yu Zhen Hua, Johnny (the former chairman of the board of directors of the Company), which is interest bearing at 5.00% per annum, unsecured and maturing on 25 August 2015; and
- (iii) the obligations under finance leases of approximately HK\$0.2 million of which (a) HK\$145,000 is interest bearing at 3.00% per annum and secured by a guarantee from Hong Kong Government, a joint and several guarantee from a director of a subsidiary and an independent third party and the Group's title to the leased assets, and (b) HK\$15,000 is non-interest bearing and secured by the Group's title to the leased assets.

USE OF PROCEEDS FROM FUND RAISING ACTIVITIES

(a) Convertible Bonds

- (i) On 22 May 2014, the Company issued convertible bonds (the “**Convertible Bonds**”) in the principal amount of HK\$40.0 million. The issuance of the Convertible Bonds raised approximately HK\$39.0 million (net of expenses), of which (a) HK\$20.0 million were intended to be used for the acquisition of a business similar to the existing business of the Group; (b) HK\$4.0 million were intended to be used for the settlement of the professional fees; and (c) HK\$15.0 million were intended to be used for the general working capital of the Group including the capital required for the development of the “Evidens de Beauté” distribution business.
- (ii) As disclosed in the Company's 2014 annual report dated 27 March 2014 (the “**2014 Annual Report**”), at 31 December 2014, (a) HK\$15.0 million had been utilized for the acquisition of China Honest; (b) HK\$4.0 million had been utilized for the settlement of

professional fees; (c) HK\$15.0 million had been utilized for general working capital of the Group including the capital required for the development of the “Evidens de Beauté” distribution business; and (d) HK\$5.0 million remained unutilized.

- (iii) At 30 June 2015, the remaining net proceeds of HK\$5.0 million had been fully utilized for the repayment of the promissory notes, due payable on 30 June 2015, issued by the Company as part of the consideration for the acquisition of China Honest.

(b) Placing

- (i) On 28 August 2014, the Company raised HK\$8.25 million by way of placing of 2,620,000 new shares under general mandate at a price of HK\$3.15 per share. The net proceeds from the placing of HK\$7.86 million of which HK\$7.54 million and HK\$0.32 million were intended to be used for the repayment of the outstanding debt indebted to Hong Kong Builders Finance Limited by the Company and general working capital of the Group respectively.
- (ii) As disclosed in the 2014 Annual Report, at 31 December 2014, HK\$7.54 million had been utilized for the repayment of the outstanding debt indebted to Hong Kong Builders Finance Limited by the Company and HK\$0.32 million remained unutilized.
- (iii) At 30 June 2015, the remaining net proceeds of HK\$0.32 million had been fully utilized as general working capital of the Group.

SHARE CAPITAL

During the six months ended 30 June 2015, there was no movement in the Company’s issued share capital.

GEARING RATIO

The gearing ratio, expressed as percentage of total borrowings over total assets, was approximately 6.6% (31 December 2014: approximately 11.5%). The improvement in gearing ratio was mainly contributed to the increase in cash and cash equivalents from the receipt in advance of approximately HK\$72.6 million.

PLEDGED OF ASSETS

At 30 June 2015, the Group’s restricted bank deposits of approximately HK\$19.8 million (31 December 2014: approximately HK\$19.7 million) were deposits held at banks in respect of credit card and instalment sales arrangement of its sale of beauty products and provision of therapy services business. In addition, certain assets with carrying amounts of approximately HK\$28,000 and HK\$15,000 were held under finance leases which were secured by a guarantee from Hong Kong

Government, a joint and several guarantee from a director of a subsidiary and an independent third party and the Group's title to the leased assets and secured by the Group's title to the leased assets respectively.

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

At 30 June 2015, the Group had operating lease commitments of approximately HK\$14.3 million (31 December 2014: approximately HK\$4.5 million).

CONTINGENT LIABILITIES

At 30 June 2015, save as disclosed in note (a) under the section headed "Litigations" below, the Group had no other material contingent liabilities.

EMPLOYEES

At 30 June 2015, the Group had 92 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 six months ended 30 June 2015.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as the set up of the WFOE as disclosed in the paragraphs under the section headed "Business Review" above, the Group did not make any material acquisitions and disposal of subsidiaries and affiliated companies during the six months ended 30 June 2015.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as the Transactions disclosed in the paragraphs under the section headed "Business Review" above, the Group does not have any concrete plan for material investments or capital assets for the coming year.

OUTLOOK

The Board believes that the entering into of the Subscription Agreement represents a good opportunity to improve its financial position and liquidity and the possible development of certain new business in a segment different from the existing business of the Group will diversify and broaden its revenue sources and improve its profitability in the long run.

The Hong Kong retail market has been in decline since last year and official figures are showing no signs of improvement. According to the Census and Statistic Department, the total retail sales in Hong Kong for the first quarter of 2015 were down by 2.3% year-on-year. With the implementation of a tightened policy on Chinese tourists in response to mounting concern on capacity constraints, the directors do not expect any growth in the Group's sale of beauty products and provision of therapy services in 2015. The management will cautiously monitor the market, adopt appropriate measures and business strategies in response to changing market conditions.

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

On 11 November 2014, the Company announced that due to the occurrence of certain events, it was anticipated that there may be a possible negative impact on the profit forecast for the 12-month period ending 30 June 2015 (the “**2015 Profit Forecast**”) which was stated in the Appendix VI to the circular of the Company dated 21 March 2014 in relation to the acquisition of 51% equity interest in and the shareholders' loan due by China Honest. The 2015 Profit Forecast was made based on certain basis and assumptions. Taking into account of the deviations of basis and assumptions due to the occurrence of these events, the Board considered that, in an overall view, there may be a possible negative impact on the 2015 Profit Forecast. Detailed information were set out in the Company's announcement dated 11 November 2014.

For the six months ended 30 June 2015, the Group recorded a loss after tax of the Group of approximately HK\$7.5 million as compared to the forecast profit after tax of the Group of approximately HK\$5.1 million in the same period as estimated in the 2015 Profit Forecast (the “**Deviation**”). The Deviation was mainly due to (i) a substantial decrease in the revenue derived from the sale of beauty products and provision of therapy services under the brand name “Evidens de Beauté” for the six months ended 30 June 2015; (ii) a substantial increase in legal and professional fees; and (iii) the substantial increase in staff costs incurred for the six months ended 30 June 2015.

The actual revenue derived from the sale of beauty products under the brand name “Evidens de Beauté” for the six months ended 30 June 2015 was approximately HK\$1.3 million, accounting for approximately 10.7% of the forecast revenue for the same period of approximately HK\$12.6 million. The actual revenue derived from the provision of the therapy services under the brand name “Evidens de Beauté” for the six months ended 30 June 2015 was approximately HK\$0.4 million, accounting for approximately 11.9% of the forecast revenue for the same period of approximately HK\$3.2 million. In addition, for the six months ended 30 June 2015, the Group incurred legal and professional fees of approximately HK\$2.2 million, accounting for 909.1% of the forecast legal and professional fees for the same period of approximately HK\$0.2 million. The reason for such

deviation was mainly attributed to the legal and professional fees incurred for the Transactions. Furthermore, for the six months ended 30 June 2015, the Group incurred staff costs including directors' emoluments of approximately HK\$11.7 million, accounting for 156.9% of the forecast staff costs for the same period of approximately HK\$7.4 million. The reason for such deviation was mainly attributed to the staff costs incurred by the WFOE.

LITIGATIONS

- (a) On 23 January 2015, the Company received a writ of summons in the High Court Action No. 200 of 2015 issued by Mr. Shum Yeung (“**Mr. Shum**”) as the plaintiff against the Company as the defendant for the following claims:
- (i) the judgment in High Court Action No. 1775 of 2012 dated 6 September 2013 (the “**Summary Judgment**”), is relating to which the Court of First Instance of the High Court of Hong Kong (the “**Court**”) adjudged that Mr. Shum (a) do pay the Company the sum of HK\$39,127,500 together with contractual interest thereon calculated from day to day at the rate of 30% per annum from 1 May 2013 to 6 September 2013, and thereafter at judgment rate pursuant to s.48 of High Court Ordinance until payment (the “**Judgement Debt**”); and (b) shall pay the Company the costs of this action including the costs of and occasioned by the Company’s application for Summary Judgment to be taxed if not agreed, entered against Mr. Shum be set aside;
 - (ii) loss and damages suffered by Mr. Shum as a result of the Summary Judgment being obtained against him;
 - (iii) an order for discovery upon oath of all matters relating to the Summary Judgement;
 - (iv) an order for payment of all sums found due to Mr. Shum together with the interest thereon at such rate and for such period as the High Court may deem just pursuant to the High Court Ordinance;
 - (v) the cost; and
 - (vi) further or other relief.

On 30 March 2015, the Company received a statement of claim in the High Court of Hong Kong filed by Mr. Shum in relation to the High Court Action No. 200 of 2015. On 14 May 2015, the Company filed a defence in that action.

- (b) On 19 May 2015, the Board announced that the Company commenced legal proceedings (the “**May Proceedings**”) in the Court against Mr. Shum as the 1st Defendant, E IN International Group Limited as the 2nd Defendant, E IN Properties Limited as the 3rd Defendant and

Grand Fill Enterprise Limited as the 4th Defendant (“**High Court Action No. 1234 of 2015**”) for, amongst others, the following reliefs to recover the Judgment Debt under the Summary Judgment:

- (i) Mr. Shum’s interest in all the shares or shareholdings in the 2nd Defendant, 3rd Defendant and 4th Defendant (the “**Shares**”) which have been charged in favour of the Company be sold without further reference to the Court by way of tender or public auction at the best price reasonably obtainable;
- (ii) the solicitors for the Company shall have the conduct of the sale of the Shares by appointing an agent, to sell the Shares by way of tender or public action;
- (iii) the execution of the requisite deeds or documents to effect the sale stated in paragraphs (i) and (ii) above by Mr. Shum or by the Registrar of the Court;
- (iv) the Company shall apply the sale proceeds from the sale of the Shares to (a) pay the costs and expenses of effecting the above sale; (b) pay the costs of the May Proceedings; (c) pay the Judgment Debt (together with interest) under the Summary Judgment; and (d) pay the balance (if any) to Mr. Shum or into the Court or as the Court shall direct;
- (v) further or alternative to paragraphs (i), (ii) and (iii) above, a receiver be appointed to (a) receive Mr. Shum’s profits, income, benefits, interest and/or assets deriving and/or arising from the Shares; and/or (b) to take over and/or realize the Shares for the purpose of defraying the Judgment Debt (together with interest) under the Summary Judgment; and
- (vi) the costs of the May Proceedings to the Company.

The hearing of the May Proceedings had originally been fixed on 25 June 2015. On 19 June 2015, the Company was served with a summons taken out by Mr. Shum seeking to stay the May Proceedings pending the determination of HCA No. 200 of 2015 (the “**Application for stay of the May Proceedings**”). Upon the consent of the parties, the court ordered that the May Proceeding and the Application for stay of the May Proceedings be adjourned to be heard together on 23 September 2015.

- (c) On 9 June 2015, the Board announced that the Company commenced legal proceedings (the “**June Proceedings**”) in the Court against Mr. Shum as the 1st Defendant, Wing Lung Bank Limited as the 2nd Defendant and Hang Seng Bank Limited as the 3rd Defendant for, amongst others, the following reliefs to recover the Judgment Debt under the Summary Judgment:
 - (i) Mr. Shum’s interest in the properties and/or lands situate at (i) House 4, The Baroque, Nos.1-7 Kau To Shan Road, Shatin, New Territories (the “**First Property**”); (ii) Ground Floor, No. 1 Kau To Path, Lot No. 838 in DD171, Shatin, New Territories (the “**Second Property**”); and (iii) Ground Floor, No. 1 Kau To Path, Lot No. 839 in DD171, Shatin,

New Territories (the “**Third Property**”) (collectively as the “**Properties**”) which have been charged in favour of the Company be sold without further reference to the Court by way of tender or public auction at the best price reasonably obtainable;

- (ii) the solicitors for the Company shall have the conduct of the sale of the Properties by appointing an agent, to sell the Properties by way of tender or public auction;
- (iii) the execution of the requisite deeds or documents to effect the sale stated in paragraphs (i) and (ii) above by Mr. Shum or by the Registrar of the Court;
- (iv) the Company shall apply the sale proceeds from the sale of the First Property to (a) pay the costs and expenses of effecting the above sale; (b) pay the costs of the June Proceedings; (c) pay the outstanding indebtedness owed to Hang Seng Bank Limited as secured by a mortgage over the First Property; (d) pay the judgment debt (together with interest) owed to the Company under the Summary Judgment; and (e) pay the balance (if any) to Mr. Shum or into the Court or as the Court shall direct;
- (v) the Company shall apply the sale proceeds from the sale of the Second Property and Third Property to (a) pay the costs and expenses of effecting the above sale; (b) pay the costs of the June Proceedings; (c) pay the outstanding indebtedness owed to Wing Lung Bank Limited as secured by a mortgage and a second legal charge over the Second Property and the Third Property; (d) pay the judgment debt (together with interest) owed to the Company under the Summary Judgment; and (e) pay the balance (if any) to Mr. Shum or into the Court or as the Court shall direct;
- (vi) further or alternative to paragraphs (i), (ii) and (iii) above, a receiver be appointed to receive Mr. Shum’s share of any rents, income and/or profits arising from the Properties;
- (vii) Such further and/or other directions as the Court shall deem fit; and
- (viii) the costs of the June Proceedings to the Company.

The hearing of the June Proceedings had been fixed on 9 July 2015. On 2 July 2015, the Company was served with a summons taken out by Mr. Shum seeking to stay the June Proceedings pending the determination of HCA No. 200 of 2015 (the “**Application for stay of the June Proceedings**”). At the hearing held on 9 July 2015, the Court ordered that the June Proceedings and the Application for stay of the June Proceedings be adjourned to be heard together on 23 September 2015.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

At 30 June 2015, none of the Directors or the chief executive of the Company nor their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities

and Future Ordinance (the “SFO”), which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or as otherwise were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDER’S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

At 30 June 2015, so far as is known to the Directors and the chief executive of the Company, the interests and shorts positions of the persons or corporations (other than the Directors and the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register to be kept by the Company pursuant to Section 336 of the SFO; or who was directly or indirectly, to be interested in 5% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group, were as follows:

Interests and short positions in the ordinary shares or underlying ordinary shares of the Company

Name of shareholder	Nature of interests	Notes	Interest in ordinary shares of the Company (Note 1)	Interest in underlying ordinary shares of the Company (Note 1)	Total interest in ordinary shares of the Company (Note 1)	Approximate percentage of shareholding (Notes 1 and 13)
Eternity	Interest of controlled corporation and party acting in concert	5	52,500,000(L)	375,000,000(L)	427,500,000(L)	571.50% (L)
Cai Zhaoyang	Interest of controlled corporation and party acting in concert	6	—	427,500,000(L) 179,921,200(S)	427,500,000(L) 179,921,200(S)	571.50% (L) 240.53% (S)
Xing Hang	Beneficial owner and party acting in concert	6	—	427,500,000(L) 179,921,200(S)	427,500,000(L) 179,921,200(S)	571.50% (L) 240.53% (S)
Success Far	Security Interest	7	—	179,921,200(L)	179,921,200(L)	240.53% (L)
Goldenland	Beneficial owner and party acting in concert	8	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Liu Jin	Interest of controlled corporation and party acting in concert	8	—	427,500,000(L)	427,500,000(L)	571.50% (L)

Name of shareholder	Nature of interests	Notes	Interest in ordinary shares of the Company (Note 1)	Interest in underlying ordinary shares of the Company (Note 1)	Total interest in ordinary shares of the Company (Note 1)	Approximate percentage of shareholding (Notes 1 and 13)
Xue Siman	Interest of controlled corporation and party acting in concert	8	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Silver Empire	Beneficial owner and party acting in concert	9	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Genius Earn	Interest of controlled corporation and party acting in concert	9	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Liu Xiaolin	Interest of controlled corporation and party acting in concert	9	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Truly Elite	Beneficial owner and party acting in concert	10	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Yeung Heung Yeung	Interest of controlled corporation and party acting in concert	10	—	427,500,000(L)	427,500,000(L)	571.50% (L)
High Aim	Beneficial owner and party acting in concert	11	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Ko Chun Shun Johnson	Interest of controlled corporation and party acting in concert	11	—	427,500,000(L)	427,500,000(L)	571.50% (L)
First Bonus	Beneficial owner and party acting in concert	12	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Reorient Limited	Interest of controlled corporation and party acting in concert	12	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Reorient Group Limited	Interest of controlled corporation and party acting in concert	12	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Gainhigh	Interest of controlled corporation and party acting in concert	12	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Insula	Interest of controlled corporation and party acting in concert	12	—	427,500,000(L)	427,500,000(L)	571.50% (L)

Notes:

1. “L” represents long position in ordinary shares/underlying ordinary shares of the Company and “S” represents short position in ordinary shares/underlying ordinary shares of the Company.
2. On 17 February 2015, the Company and the Subscribers, namely Xing Hang Limited (“**Xing Hang**”), Goldenland Mining & Investment Limited (“**Goldenland**”), Silver Empire Holding Limited (“**Silver Empire**”), Truly Elite Limited (“**Truly Elite**”), High Aim Global Limited (“**High Aim**”) and First Bonus International Limited (“**First Bonus**”) entered into the Subscription Agreement pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue a total of 375,000,000 shares of the company (the “**Subscription Shares**”), comprising 345,000,000 ordinary shares of the Company (the “**Ordinary Subscription Shares**”) and 30,000,000 convertible preferred shares of the Company (the “**Preferred Shares**”) to the Subscribers, at an issue price of convertible HK\$0.4 per Subscription Share (the “**Subscription**”).
3. Upon completion of the Subscription Agreement, Xing Hang will become the controlling shareholder of the Company. Pursuant to Rule 26.1 of the Takeovers Code, Xing Hang will make the unconditional mandatory cash offer (the “**Offer**”). Kingston Securities Limited (“**Kingston Securities**”) will make the Offer on behalf of Xing Hang to acquire all the issued ordinary shares of the Company at an offer price of HK\$4.07 per offer share (other than the Excluded Shares (as defined below)).
4. Goldenland, Silver Empire, Truly Elite, High Aim and First Bonus are considered as parties acting in concert with Xing Hang, Eternity Investment Limited (“**Eternity**”), being the controlling shareholder (as defined under the GEM Listing Rules) of the Company, has undertaken to Xing Hang not to accept the Offer in respect of the 36,500,000 ordinary shares of the Company held by the Eternity Group (the “**Excluded Shares**”) (the “**Lock-Up Undertaking**”) and the Subscribers have undertaken to Eternity, among other things, not to sell their respective holdings in the Subscription Shares within one year after completion of the Subscription or during the period which Eternity remains directly or indirectly interested in 22,490,150 ordinary shares of the Company (representing 5.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no adjustment to the conversion price of the Conversion Shares in accordance with the terms of the Preferred Shares and that there is no other change in the number of ordinary shares of the Company in issue)) (whichever period is shorter) (the “**Subscribers’ Lock-Up Undertaking**”). In view of these undertakings entered into between Eternity and the Subscribers, Eternity is regarded as a party acting in concert with the Subscribers. Kingston Securities, being an agent to make the Offer, is also regarded as a party acting in concert with Xing Hang.
5. New Cove Limited (“**New Cove**”) is interested in 52,500,000 shares of the Company. As New Cove is an indirect wholly-owned subsidiary of Eternity, Eternity is deemed to be interested in such 52,500,000 shares. In addition, as Eternity is considered as party acting in concert with the Subscribers under section 317 of the SFO in view of the Subscribers’ Lock-Up Undertaking. Eternity is deemed to be interested in the Subscription Shares. As such, Eternity is deemed to be interested in an aggregate of 427,500,000 ordinary shares of the Company.
6. Xing Hang is ultimately owned as to 82.5% by Mr. Cai Zhaoyang, 7.5% by Mr. Lin Fan, 3.75% by Ms. Xu Yaping, 3.75% by Mr. Guo Pengcheng and 2.5% by Mr. Chen Jie. Pursuant to the Subscription Agreement, Xing Hang will subscribe for 179,921,200 Ordinary Subscription Shares. Pursuant to the term loan agreement entered into between Xing Hang and Success Far (as defined below), a share charge will be given by Xing Hang in favour of Success Far over the 179,921,000 Ordinary Subscription Shares to be issued to Xing Hang under the Subscription. Accordingly, Xing Hang acquires a short position in

respect of such 179,921,000 ordinary shares of the Company. As Xing Hang is a controlled corporation of Mr. Cai Zhaoyang, Mr. Cai is deemed to have acquired a short position in such 179,921,200 ordinary shares of the Company. Further, as Xing Hang is party acting in concert with other Subscribers and with Eternity under section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, each of Xing Hang and Mr. Cai Zhaoyang is deemed to be interested in an aggregate of 427,500,000 ordinary shares of the Company.

7. In accordance with the term loan agreement entered into between Xing Hang and Success Far Holdings Limited (“**Success Far**”) which is owned as to approximately 20.85% by Silver Empire, 22.93% by Truly Elite, 25% by Goldenland and 31.22% by High Aim, pursuant to which Success Far shall provide a facility to Xing Hang and Xing Hang give a share charge in favour of Success Far over 179,921,200 Ordinary Subscription Shares to be issued to Xing Hang under the Subscription. As such, Success Far is deemed to be interested in 179,921,200 ordinary shares of the Company.
8. Goldenland is ultimately owned as to 50% by Mr. Liu Jin and 50% by Ms. Xue Siman. Pursuant to the Subscription Agreement, Goldenland will subscribe for 45,396,178 Ordinary Subscription Shares. As Goldenland is a party acting in concert with the other Subscribers and with Eternity under section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, each of Goldenland, Mr. Liu Jin and Ms. Xue Siman is deemed to be interested in aggregate of 427,500,000 ordinary shares of the Company.
9. Silver Empire is wholly-owned by Genius Earn Limited which is in turn wholly-owned by Mr. Liu Xiao Lin. Pursuant to the Subscription Agreement, Silver Empire will subscribe for 37,861,665 Ordinary Subscription Shares. As Silver Empire is a party acting in concert with the other Subscribers and with Eternity under section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, each of Silver Empire, Genius Earn Limited and Mr. Liu Xiao Lin is deemed to be interested in an aggregate of 427,500,000 ordinary shares of the Company.
10. Truly Elite is wholly-owned by Mr. Yeung Heung Yeung. Pursuant to the Subscription Agreement, Truly Elite will subscribe for 41,628,921 Ordinary Subscription Shares. As Truly Elite is a party acting in concert with the other Subscribers and with Eternity under section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, each of Truly Elite and Mr. Yeung Heung Yeung is deemed to be interested in an aggregate of 427,500,000 ordinary shares of the Company.
11. High Aim is wholly-owned by Mr. Ko Chun Shun, Johnson. Pursuant to the Subscription Agreement, High Aim will subscribe for 26,697,946 Ordinary Subscription Shares and 30,000,000 Preferred Shares. As High Aim is a party acting in concert with other Subscribers and with Eternity under section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, each of High Aim and Mr. Ko Chun Shun, Johnson is deemed to be interested in an aggregate of 427,500,000 ordinary shares of the Company.
12. First Bonus is a wholly-owned subsidiary of Reorient Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Reorient Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange. Reorient Group Limited is a subsidiary of Gainhigh Holdings Limited (“**Gainhigh**”) which in turn is a subsidiary of Insula Holdings Limited (“**Insula**”). Mr Ko Chun Shun, Johnson is an executive director and the controlling shareholder (as defined under the Listing Rules) of Reorient Group Limited. Pursuant to the Subscription Agreement, First Bonus will subscribe for 13,494,090 Ordinary Subscription Shares. As First Bonus is a party acting in concert with the other Subscribers and with Eternity under section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, each of First Bonus, Reorient Limited, Reorient Group Limited, Gainhigh, Insula and Mr. Ko Chun Shun, Johnson is deemed to be interested in an aggregate of 427,500,000 ordinary shares of the Company.

13. The percentage is calculated on the basis of 74,803,000 ordinary shares of the Company in issue as at 30 June 2015.

Save as disclosed above, as at 30 June 2015, so far as is known to the Directors and the chief executive of the Company, and based on the public records filed on the website of the Stock Exchange and records kept by the Company, no other persons or corporations (other than the Directors and the chief executive of the Company) has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or, were directly or indirectly, interests in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company has adopted a code of conduct regarding Director's securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all the Directors, all Directors have confirmed that they have complied with such code of conduct and the required standard of dealings on Directors' securities transactions.

COMPETING INTERESTS

At 30 June 2015, none of the Directors, substantial shareholders of the Company nor any of their respective associates (as defined in the GEM Listing Rules) has any interest in a business which causes or may cause any significant completion with the business of the Group.

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

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

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. As at 30 June 2015, the Audit Committee comprised three independent non-executive Directors, namely, Mr. Tam B Ray, Billy, Mr. Chu Kin Wang, Peleus and Mr. Tse Joseph. The Audit Committee has reviewed the unaudited condensed consolidated interim results for the six months ended 30 June 2015 and has provided advice and comments thereon.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the period under review, the Company had applied the principles as set out in the code provisions in the Corporate Governance Code and Corporate Governance Report (the "**CG Code and Report**") contained in Appendix 15 to the GEM Listing Rules save for certain deviations as stated below.

Insurance for potential legal actions against the Directors

Code provision A.1.8 of the CG Code and Report stipulates that the Company should arrange appropriate insurance to cover potential legal actions against its Directors. During the period under review, the Company is still arranging for appropriate liability insurance for the Directors for indemnifying their liabilities arising from corporate activities.

Chairman and Chief Executive

Code provision A.2.1 of the CG Code and Report stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Due to practical necessity of the Group's corporate operating structure, the roles of the chairman and the chief executive officer are both performed by Mr. Chan Kin Wah, Billy who is the Chairman overseeing the operation and management of the Group. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company. The Company is looking for a suitable candidate to fill the vacancy in order to comply with the CG Code and Report.

DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES

The change in information on Directors subsequent to the date of the 2014 annual report of the Company, which is required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules, is set out below:

Name of Director	Details of changes
Mr. Chu Kin Wang, Peleus	— appointed as an independent non-executive director of National Agricultural Holdings Limited, a company listed on the main board of the Stock Exchange (Stock Code: 1236) with effect from 25 June 2015

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting held on 7 November 2014, a new share option scheme ("**Option Scheme**") was adopted for the purpose of providing incentives or rewards to eligible participants for their contribution to the success of the Group's operation. Unless otherwise cancelled or amended, the expiry date of the Option Scheme will be on 6 November 2024.

The total number of shares in respect of which options may be granted under the Option Scheme is not permitted to exceed 10% of the shares of the Company in issue, or if such 10% limit is refreshed, the maximum aggregate number of shares which may be issued upon the exercise of all outstanding options grant and yet to be exercised under the Option Scheme must not exceed 30% of the total number of the shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any eligible participant in any one year is not permitted to exceed 1% of the shares of the Company in issue. Any further grant of options in excess of the 1% limit shall be subject to approval by the Company's shareholders in general meeting with such

eligible participant and his, her or its associates abstaining from voting. Each grant of options to any director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors of the Company. Where any grant of options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates would result in the shares of the Company issued or to be issued upon exercise of all options already granted or to be granted to such person in the 12 month period up to and including the date of such grant: (i) representing in aggregate over 0.1% of the shares of the Company in issue; and (ii) having an aggregate value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK\$5 million, then such further grant of options must be approved by the Company's shareholders in general meeting.

A non-refundable nominal consideration of HK\$1.00 shall be paid to the Company upon acceptance of the grant. Options may be exercised in accordance with the terms of the Option Scheme at any time during the period to be determined and notified by the directors of the Company to the eligible participant. Such period shall not exceed the period of 10 years from the date of grant of the particular option but subject to the provisions for early termination of the Option Scheme. The subscription price is determined by the directors of the Company, and will not be less than the higher of closing price of the Company's shares on the date of grant, and the average closing price of the Company's shares for the five business days immediately preceding the date of grant.

Details of the Option Scheme were set out in the circular of the Company dated 7 October 2014. Under the Option Scheme, the maximum number of shares which may be issued upon the exercise of all options was 7,480,300 shares of the Company, representing 10% of the share capital of the Company in issue as at the date of passing the ordinary resolution of approving the adoption of the Option Scheme on 7 November 2014 and as at the date of this report. Since the Option Scheme has become effective, no options were granted, exercised, lapsed or cancelled under the Option Scheme during the period under review and there were no outstanding options under the Option Scheme at the beginning and at the end of the six month period ended 30 June 2015.

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

Hong Kong, 11 August 2015

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