EDS WELLNESS HOLDINGS LIMITED

(Formerly known as China AU Group Holdings Limited 中國金豐集團控股有限公司*)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8176)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2013

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 (formerly known as China AU Group 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* *For identification purpose only*

RESULTS

The board of Directors (the "Board") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (together, the "Group") for the year ended 30 June 2013 together with the comparative figures for the corresponding year in 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2013

	Notes	**2013** *HK$'000*	2012 *HK$'000*
Turnover	4	**8,140**	702
Cost of sales		**(11,686)**	(1,213)
Gross loss		**(3,546)**	(511)
Other income	6	**9,121**	987
Selling and distribution costs		**(2,292)**	(2)
Administrative expenses		**(21,848)**	(7,809)
Impairment loss recognised in respect of intangible asset		**—**	(7,488)
Impairment loss recognised in respect of deposits, prepayments and other receivables	13	**(1,254)**	(240,593)
Gain on de-consolidation of subsidiaries		**—**	155,547
Finance costs	7	**(3,749)**	(520)
Loss before tax	8	**(23,568)**	(100,389)
Income tax expense	9	**—**	—
Loss for the year		**(23,568)**	(100,389)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**9**	—
Release of translation reserve upon de-consolidation of subsidiaries		**—**	4
Other comprehensive income for the year		**9**	4
Total comprehensive expenses for the year		**(23,559)**	(100,385)
Loss for the year attributable to:			
Owners of the Company		**(23,568)**	(100,389)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		**(23,559)**	(100,385)
Loss per share (HK cents)	10		
— Basic and diluted		**(1.80)**	(7.71)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	**2013** **HK$'000**	2012 *HK$'000*
Non-current assets			
Intangible asset		**—**	—
Property, plant and equipment		**8,301**	3,156
		8,301	3,156
Current assets			
Inventories	11	**1,137**	1,943
Trade receivables	12	**646**	225
Deposits, prepayments and other receivables	13	**41,932**	52,047
Bank balances and cash		**1,815**	308
		45,530	54,523
Current liabilities			
Amount due to a former director		**64**	64
Deposits from customers	14	**455**	551
Accruals and other payables	15	**8,831**	11,451
Obligation under financial leases	16	**43**	105
Other borrowing	17	**42,400**	19,586
		51,793	31,757
Net current (liabilities)/assets		**(6,263)**	22,766
Total assets less current liabilities		**2,038**	25,922
Non-current liability			
Obligation under financial leases	16	**124**	449
Net assets		**1,914**	25,473
Equity attributable to owners of the Company			
Share capital		**131,220**	131,220
Reserves		**(129,306)**	(105,747)
Total equity		**1,914**	25,473

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

	Share capital *HK$'000*	Share premium *HK$'000*	Merger reserve *HK$'000* *(Note 1)*	Translation reserve *HK$'000* *(Note 2)*	Accumulated losses *HK$'000*	Total equity *HK$'000*
At 1 July 2011	120,220	170,269	22,734	(4)	(203,449)	109,770
Loss for the year	—	—	—	—	(100,389)	(100,389)
Other comprehensive income for the year: Release of translation reserve upon de-consolidation of subsidiaries	—	—	—	4	—	4
Total comprehensive expenses for the year	—	—	—	4	(100,389)	(100,385)
Placement of shares	11,000	5,500	—	—	—	16,500
Transaction costs on placement of shares	—	(412)	—	—	—	(412)
At 30 June 2012 and 1 July 2012	131,220	175,357	22,734	—	(303,838)	25,473
Loss for the year	—	—	—	—	(23,568)	(23,568)
Other comprehensive income for the year: Exchange differences on translating foreign operations	—	—	—	9	—	9
Total comprehensive expenses for the year	—	—	—	9	(23,568)	(23,559)
At 30 June 2013	**131,220**	**175,357**	**22,734**	**9**	**(327,406)**	**1,914**

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) 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 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 is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is 19/F, Prosperity Tower, No. 39 Queen's Road Central, Central, Hong Kong.

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 treatment 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 de-consolidation of certain subsidiaries of the Group as explained below. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis.

Certain comparative figures have been reclassified to conform with current year's presentation, in which the trade receivables have been increased and other receivables have been decreased by approximately HK$225,000.

Going concern basis

These consolidated financial statements have been prepared on a going concern basis notwithstanding that the Group incurred a loss of approximately HK$23,568,000 for the year ended 30 June 2013 (for the year ended 30 June 2012: approximately HK$100,389,000) and the Group and the Company recorded a net current liabilities of approximately HK$6,263,000 and HK$8,473,000 respectively, which indicates the existence of a material uncertainty and may cause significant doubt about the Group's ability to continue as a going concern.

The Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favorable outcomes of (i) the repayment of the other receivable due from a debtor of approximately HK$40,207,000 (for the year ended 30 June 2012: HK$ Nil) of which details were set out in note 13 to the consolidated financial statements; (ii) the extension of repayment of loan facility of approximately HK$42,400,000 (for the year ended 30 June 2012: approximately HK$19,586,000) granted by a company owned by an executive director of which details were set out in the Company's announcement dated 30 August 2013; (iii) the completion of the conditional subscription agreement in respect of the issue of convertible bonds in the principal amount of HK$40,000,000 of which details were set out in the Company's announcements dated 21 March 2013, 11 April 2013, 25 April 2013, 9 May 2013, 24 May 2013, 11 June 2013 and the Company's circular dated 23 May 2013 and (iv) the completion of the conditional unsecured loan agreement in the principal amount of HK$40,000,000 of which details were set out in the Company's announcements dated 21 March 2013, 11 April 2013, 25 April 2013, 9 May 2013, 24 May 2013, 11 June 2013 and the Company's circular dated 23 May 2013 (the "Proposed Plans").

The completion of the subscription agreement in respect of the issue of convertible bonds in the principal amount of HK$40,000,000 ("Subscription Agreement") is conditional upon:

(a) the passing of the necessary resolution(s) by the independent shareholders who are allowed to vote under the GEM Listing Rules, The Hong Kong Code on Takeovers and Mergers ("Takeovers Code") and/or other applicable laws and regulations approving separately at the extraordinary general meeting (i) the Subscription Agreement and the transaction contemplated thereunder (including but not limited to the issue of the convertible bonds and the allotment and issue of the conversion shares); and (ii) the grant of whitewash waiver by the Securities and Future Commission of Hong Kong ("SFC");

(b) the listing committee of Growth Enterprise Market of The Stock Exchange of Hong Kong Limited having granted the listing of and permission to deal in, the conversion shares;

(c) the warranties under the Subscription Agreement remaining true and correct in all material respects;

(d) all necessary consents and approvals (including but not limited to approval from the Board and the relevant regulatory approval pursuant to the GEM Listing Rules and the Takeovers Code) as may be required to be obtained by the Company in respect of the Subscription Agreement and the transactions contemplated thereby having been obtained;

(e) the publication of an announcement of the subscriber holding in relation to the Subscription Agreement and the transactions contemplated thereunder in compliance with Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules");

(f) the granting of whitewash waiver by SFC; and

(g) the capital reorganisation having become effective.

The completion of the unsecured loan agreement in the principal amount of HK$40,000,000 ("Loan Agreement") is conditional upon the fulfillment of the following conditions:

(a) completion of the Subscription Agreement;

(b) the publication of an announcement of the subscriber holding in relation to the Subscription Agreement and the Loan Agreement and the transactions contemplated respectively thereunder in compliance with Chapter 14 of the Listing Rules; and

(c) the passing of the necessary resolution(s) by the independent shareholders who are allowed to vote under the GEM Listing Rules, the Takeovers Code and/or other applicable laws and regulations approving at the extraordinary general meeting the Loan Agreement and the transaction contemplated thereunder.

The consolidated financial statements of the Group have been prepared on a going concern basis on the basis that the Proposed Plans will be successfully completed.

In the opinion of the Directors, if the Proposed Plans completed successfully, the Group would be able to generate sufficient funds to meet its future working capital requirements and financial obligations when they fall due. Accordingly, the Directors consider that it is appropriate to prepare these consolidated financial statements on a going concern basis.

The applicability of the going concern basis depends on the outcomes of the Proposed Plans, which the eventual outcome is uncertain, and the Group's ability to generate sufficient funds to meet its future working capital requirements and financial obligations when they fall due. The consolidated financial statements do not include any adjustments for possible failure of the Proposed Plans and the continuance of the Group as a going concern. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to reduce the value of the assets of the Group to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

Investments in unconsolidated subsidiaries

The consolidated financial statements for the year ended 30 June 2013 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, the "Unconsolidated Subsidiaries") for the year ended 30 June 2013, 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 2013.

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 in 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 2013, the amounts due from the Unconsolidated Subsidiaries to the Group and the Company of approximately HK$241,847,000 and HK$238,883,000 respectively of which accumulated impairment losses of approximately HK$240,593,000 and HK$237,641,000 were recognised in the previous years. The Directors are of the view that the carrying amounts of these amounts were not recoverable and impairment loss of approximately HK$1,254,000 was recognised for the year ended 30 June 2013. In addition, the Group recorded amounts due to the Unconsolidated Subsidiaries of approximately HK$1,309,000 at 30 June 2013.

In the opinion of the Directors, these consolidated financial statements for the year ended 30 June 2013 and 30 June 2012 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. However, the de-consolidation of the Unconsolidated Subsidiaries from the beginning of the year 1 July 2011 was not in compliance with the requirements of the Hong Kong Accounting Standard 27 (Revised) "Consolidated and Separate Financial Statements".

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 (together, the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning on 1 July 2012. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section:

(a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

In current year, the Group has applied the amendments to HKAS 1 for the first time. The presentations of items of other comprehensive income are modified accordingly.

The application of new and revised HKFRSs in the current year has had no material effect on the amounts reported in these financial statements and/or disclosures set out in these consolidated financial statements.

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 Cycle[1]
HKAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities[2]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[2]
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting[2]
HKFRS 1 (Amendments)	Amendments to HKFRS 1 First Time Adoption of Hong Kong Financial Reporting Standards — Government Loans[1]
HKFRS 7 (Amendments)	Disclosures — Offsetting Financials Assets and Financial Liabilities[1]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Involvement with Other Entities[1]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[2]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (Revised 2011)	Employee Benefits[1]
HKAS 27 (Revised 2011)	Separate Financial Statements[1]
HKAS 28 (Revised 2011)	Investment in Associates and Joint Ventures[1]
HK(IFRIC) — Int 20	Stripping costs in the Production Phase of a Surface Mine[1]
HK(IFRIC) — Int 21	Levies[2]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 January 2014
[3] Effective for annual periods beginning on or after 1 January 2015

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 to 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 Instruments: 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.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that while the application of these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

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

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below:

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC)-Int 12 *Consolidation — Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)-Int 13 *Jointly Controlled Entities — Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these standards are applied at the same time. The Directors anticipate that the adoption of the revised standard did not have any impact on the financial position or performance of the Group.

HKFRS 13 *Fair Value Measurement*

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies 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 in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The Directors anticipate that the application of the new Standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKFRS 7 and HKAS 32 *Offsetting Financial Assets and Financial Liabilities and the related disclosures*

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

***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 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 *Property, Plant and Equipment* and the 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 not 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.

Amendments to HKAS 19 *Employee Benefits*

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions.

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 HKFRSs 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

	2013	2012
	HK$'000	*HK$'000*
Sales of beauty equipment	**1,140**	—
Sales of beauty products	**4,478**	208
Therapy services	**2,522**	494
	8,140	702

5. SEGMENT INFORMATION

Information reported to the key management of the Company, who being the chief operating decision maker, 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 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)**
Other income				**9,121**
Unallocated administrative expenses				**(19,114)**
Finance costs				**(3,749)**
Loss before tax				**(19,580)**
Income tax expense				**—**
Core loss for the year				**(19,580)**
MAJOR NON-CASH ITEMS				
Depreciation				**(1,397)**
Impairment loss recognised in respect of deposits, prepayments and other receivables				**(1,254)**
Written down of property, plant and equipment				**(1,145)**
Written off of deposits, prepayments and other receivables				**(192)**
				(23,568)

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 2012				
REVENUE				
Revenue from external customers	—	208	494	702
RESULTS				
Segment loss for reportable segment	—	(220)	(291)	(511)
Other income				987
Unallocated administrative expenses				(7,811)
Finance costs				(520)
Loss before tax				(7,855)
Income tax expense				—
Core loss for the year				(7,855)
MAJOR NON-CASH ITEMS				
Impairment loss recognised in respect of intangible asset				(7,488)
Impairment loss recognised in respect of deposits, prepayments and other receivables				(240,593)
Gain on de-consolidation of subsidiaries				155,547
				(100,389)

Revenue reported above represents revenues generated from external customers. There were no inter-segment sales during the year 2013 (during the year 2012: HK$ Nil).

Segments profit/(loss) represents profit earned or loss incurred by each segment without allocation of corporate administration costs including director's salaries, 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 and liabilities are allocated to reportable segments other than those assets and liabilities related to corporate administration.

Segment assets and liabilities

	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:				
Additions of property, plant and equipment				**9,744**

	Sales of beauty equipment *HK$'000*	Sales of beauty products *HK$'000*	Therapy services *HK$'000*	Segment total *HK$'000*
2012				
ASSETS				
Segment assets	—	50	175	225
Unallocated corporate assets				57,454
Consolidated total assets				57,679
LIABILITIES				
Segment liabilities	(380)	—	(171)	(551)
Unallocated corporate liabilities				(31,655)
Consolidated total liabilities				(32,206)
Other segment information:				
Additions of property, plant and equipment				3,299

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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**8,140**	702	**8,295**	3,156
The People's Republic of China (the "PRC")	**—**	—	**6**	—
	8,140	702	**8,301**	3,156

Information about major customer

No other single customer contributed 10% or more to the Group's revenue for the year ended 30 June 2013 (for the year ended 2012: HK$ Nil).

6. OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Bank interest income	**1**	1
Management fee income	**—**	986
Other interest income	**4,552**	—
Gain on defaulted payment of the refundable deposit	**4,500**	—
Gain on disposal of property, plant and equipment	**53**	—
Sundry income	**15**	—
	9,121	987

7. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest on other borrowing *(Note)*	**3,705**	513
Interest on finance lease	**44**	7
	3,749	520

Note:

Interest on other borrowing was interest on the loan advanced by Koffman Investment Limited ("KIL") with a term of 3 months from 27 March 2012 at interest rate of 12% per annum. On 30 August 2013, the Company has entered into fifteen supplementary loan agreements with KIL to extend the repayment date of the above loan from 27 June 2012 to 31 December 2013.

8. LOSS BEFORE TAX

	2013	2012
	HK$'000	*HK$'000*
Loss before tax has been arrived at after (charging)/crediting:		
Directors' remuneration	**(1,329)**	(961)
Other staff costs	**(9,184)**	(2,784)
Retirement benefit scheme contributions	**(341)**	(96)
Total staff costs	**(10,854)**	(3,841)
Auditors' remuneration	**(1,030)**	(1,000)
Depreciation	**(1,571)**	(126)
Gain on de-consolidation of subsidiaries	**—**	155,547
Impairment loss recognised in respect of deposits, prepayments and other receivables	**(1,254)**	(240,593)
Impairment loss recognised in respect of intangible asset	**—**	(7,488)
Written down of property, plant and equipment	**(1,145)**	—
Written off of deposits, prepayments and other receivables	**(192)**	—
Operating lease payment	**(4,131)**	(572)

9. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for both years. The PRC subsidiary is subject to the PRC Enterprise Income Tax at 25% for the year. 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:

	2013	2012
	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	**(23,568)**	(100,389)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,312,200,000**	1,301,680,874

Diluted loss per share for the year ended 30 June 2013 and 2012 were the same as the basic loss per share as there was no diluting event for both years.

11. INVENTORIES

	2013	2012
	HK$'000	*HK$'000*
Raw materials	**—**	33
Finished goods	**1,137**	1,910
	1,137	1,943

Movements in written down of inventories:

	2013	2012
	HK$'000	*HK$'000*
Balance at beginning of the year	**—**	(449)
De-consolidation of the Unconsolidated Subsidiaries	**—**	449
Balance at end of the year	**—**	—

The cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately HK$3,021,000 for the year ended 30 June 2013 (for the year ended 30 June 2012: approximately HK$98,000).

12. TRADE RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**646**	225

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 overdue, not considered to be impaired and based on the invoice date as follows:

	2013	2012
	HK$'000	*HK$'000*
Aged:		
0–30 days	**183**	220
31–60 days	**82**	5
61–90 days	**99**	—
91–120 days	**190**	—
Over 120 days	**92**	—
	646	225

The movements in the allowance for doubtful debts during the year are set out below:

	2013	2012
	HK$'000	*HK$'000*
Balance at beginning of the year	**—**	117,684
De-consolidation of the Unconsolidated Subsidiaries *(Note)*	**—**	(117,684)
Balance at end of the year	**—**	—

Note:

For the year ended 30 June 2012, due to lack of complete books and records of the Unconsolidated Subsidiaries, 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. Accordingly, trade receivables of the Unconsolidated Subsidiaries of approximately HK$120,842,000 and corresponding impairment loss of approximately HK$117,684,000 was not included in the consolidated financial statements.

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Deposits paid	**3,930**	6,311
Less: Impairment loss recognised	**—**	(2,500)
Less: Written off as uncollectible	**(2,500)**	—
	1,430	3,811
Prepayments	**271**	377
Other receivables *(Note)*	**45,231**	5,149
Less: Impairment loss recognised	**—**	(5,000)
Less: Written off as uncollectible	**(5,000)**	—
	40,231	149
Amounts due from the Unconsolidated Subsidiaries	**241,847**	288,303
Less: Impairment loss recognised	**(241,346)**	(240,593)
Less: Written off as uncollectible	**(501)**	—
	—	47,710
	41,932	52,047

Note:

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 agreement on 25 August 2010, 29 October 2010, 1 February 2011, 30 June 2011 and 30 November 2011 respectively 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 were 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 above mentioned claims and the Debtor further settled of 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. During the year, the interest income in respect of the Other Receivable amounted to approximately HK$4,552,000 of which approximately HK$3,472,000 was settled.

Subsequent to the end of the reporting period, 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 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 to be taxed if not agreed.

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 Receivables. 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 abovemetioned 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.

14. DEPOSITS FROM CUSTOMERS

	2013 *HK$'000*	2012 *HK$'000*
Deposits from customers	**455**	551

The deposits from customers represented the deposits received for therapy services, beauty products and beauty equipment.

15. ACCRUALS AND OTHER PAYABLES

	2013 *HK$'000*	2012 *HK$'000*
Accruals	**4,321**	2,849
Other payables	**3,201**	2,356
Amounts due to the Unconsolidated Subsidiaries *(Note)*	**1,309**	6,246
	8,831	11,451

Note:

The amounts due to the Unconsolidated Subsidiaries are non-interest bearing, unsecured and repayable on demand.

16. OBLIGATION UNDER FINANCE LEASES

At 30 June 2013, the Group leased a motor vehicle and a digital photocopier under finance leases. The lease term is 4 years (2012: 5 years) with a fixed interest rate of 3.25% per annum (2012: 2.75% per annum) for the motor vehicle.

	Minimum lease payments		Present value of minimum lease payments	
	2013 ***HK$'000***	2012 *HK$'000*	**2013** ***HK$'000***	2012 *HK$'000*
Amounts payable under finance leases:				
Within one year	**51**	130	**43**	105
More than one year and not more than five years	**132**	491	**124**	449
	183	621	**167**	554
Less: future finance charges	**(16)**	(67)	**—**	—
	167	554	**167**	554
Less: Amounts due for settlement within 12 months (shown under current liabilities)			**(43)**	(105)
Amounts due for settlement after 12 months			**124**	449

17. OTHER BORROWING

	2013 HK$'000	2012 HK$'000
Balance at beginning of the year	**19,586**	—
Proceeds from borrowing	**24,905**	19,268
Loan interest for the year	**3,705**	513
Repayments of interest and borrowing	**(5,796)**	(195)
Balance at end of the year	**42,400**	19,586

Included in other borrowing of approximately HK$42,400,000 (at 30 June 2012: approximately HK$19,586,000) was a loan advanced by KIL, of which Mr. Yu Zhen Hua Johnny ("Mr. Yu"), an executive director and the chairman of the Company, is the ultimate beneficial owner. On 26 June 2012, the Company has entered into an extension loan agreement with KIL, pursuant to which, KIL agreed to make available to the Company a loan facility up to HK$50,000,000 for a term of 3 months from 27 June 2012 at interest rate of 12% per annum. There is no security over the assets of the Group in respect of this loan.

On 30 August 2013, the Company has entered into the fifteen supplementary loan agreements with KIL to extend the repayment date of the above loan from 27 June 2012 to 31 December 2013 and the amount is classified as current liabilities in the consolidated statement of financial position.

18. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in amounts due from the Unconsolidated Subsidiaries (note 13), amounts due to the Unconsolidated Subsidiaries (note 15) and elsewhere to the consolidated financial statements, the Group had the following material transactions with related parties during the year:

Name of parties	Nature of transactions	2013 HK$'000	2012 HK$'000
KIL *(Note 1)*	Interest on other borrowing	**3,705**	513
Koffman Corporate Service Limited ("KCSL") *(Note 1)*	Rental expenses	**160**	—
BSHK *(Note 2)*	Purchases of products	**—**	1,984
	Sales of products	**(21)**	—
	Rendering of management services	**—**	(986)
	Purchases of property, plant and equipment	**—**	716
	Disposal of property, plant and equipment	**(603)**	—
Lisun Plastic Factory Limited *(Note 3)*	Gain on disposal of property, plant and equipment	**(52)**	—

The following balances were outstanding at the end of the reporting period:

KIL *(Note 1)*	Other borrowing	**(42,400)**	(19,586)
Ms. Chan Choi Har Ivy	Amount due to a former director	**(64)**	(64)

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 17 to the consolidated financial statements. During the year, the KCSL's office is 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:

	2013	2012
	HK$'000	*HK$'000*
Short-term employee benefits	**1,314**	1,203
Post-employment benefits	**15**	5
	1,329	1,208

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.

19. EVENTS AFTER REPORTING PERIOD

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

(a) Change of domicile

The Directors proposed to change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda and to adopt a new memorandum of continuance and Bye-laws in compliance with Bermuda laws to replace the existing memorandum and articles of association of the Company (the "Change of Domicile"). Details of the change of domicile and adoption of new memorandum and of continuance and Bye-laws were set out in the circular dated 24 January 2013. The proposal was approved at the extraordinary general meeting on 28 February 2013. At the date of this announcement, the Change of Domicile has not yet been completed. Details were set out in the Company's announcements dated 20 December 2012, 7 January 2013, 17 April 2013 and 5 August 2013.

(b) Capital reorganization

After the Change of Domicile, the Directors proposed to reorganise the capital of the Company, which involves the capital reduction and the capital consolidation (the "Capital Reorganisation"). Details of the Capital Reorganisation were set out in the circular dated 24 January 2013. The Capital Reorganisation was approved at the extraordinary general meeting on 28 February 2013. At the date of this announcement, the Capital Reorganisation has not yet been completed. Details were set out in the Company's announcements dated 20 December 2012, 7 January 2013, 17 April 2013 and 5 August 2013.

(c) Loan from KIL

On 30 August 2013, the Company has entered into the fifteenth extension agreement with KIL to further extend the repayment date of the loan from 31 August 2013 to 31 December 2013, a loan in the principle sum of HK$50,000,000 for a term of 3 months from the date of the agreement at interest rate of 12% per annum. There is no security over the assets of the Group in respect of this loan. Up to the date of this announcement, the carrying amount of loan borrowed from KIL by the Company was approximately HK$46,830,000. Details of the agreement of this loan were set out in the Company's announcements dated 2 April 2012, 7 May 2012, 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 and 30 August 2013.

(d) Exclusive distributorship for Evidens De Beauté Products in Macau

On 8 August 2013, EDS (Asia) Limited, a wholly-owned subsidiary of the Company, entered into a supply agreement (the "Macau Agreement") with a member of a pharmaceutical group (the "Macau Retailer"). Pursuant to the Macau Agreement, EDS (Asia) Limited has agreed to appoint the Macau Retailer as its sole and exclusive retail agent in Macau Special Administrative Region of the People's Republic of China ("Macau") and supply the "Evidens de Beauté" products to the Macau Retailer for retail sales initially in four of its associated pharmaceutical stores in Macau up until 30 June 2015 which shall be renewed thereafter for a further term of 2 years if agreed by the parties to the Macau Agreement. Details were set out in the Company's announcement dated 30 August 2013.

(e) Acquisition of new business

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, pursuant to which EDS International agreed to acquire and the Vendors agreed to sell 51% issued share capital of a company (the "Target Company") and the obligations, liabilities and debts owing by or due from the Target Company to the Vendors at the completion date. The Target Company principally engages in beauty and wellness services in Hong Kong. A formal sale and purchase agreement is expected to be finalised on or before 30 September 2013. At the date of this announcement, the Company is in the process of preparing an announcement in relation to the proposed acquisition.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 June 2013 (2012: 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 2013.

BASIS FOR DISCLAMER OF OPINION

(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 (together, the "**Unconsolidated Subsidiaries**") for the year ended 30 June 2013. 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 for the year ended 30 June 2013.

Furthermore, the Company made an announcement dated 19 February 2013 that written resolutions were passed by the sole director of BSHK, among other things, to voluntarily wind-up BSHK. The notice of appointment of joint and several liquidators were published on the government gazette on 26 February 2013. The Company also 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 in the BSHK Group.

Whilst the directors of the Company consider that the exclusion of the Unconsolidated Subsidiaries is the best way of presenting the Group's financial position, results and cash flows at and for the year ended 30 June 2013 under these circumstances, the exclusion of the financial position, results and cash flows of the Unconsolidated Subsidiaries in the consolidated financial statements is a departure from the requirements of Hong Kong Accounting Standard 27 (Revised) "Consolidated and Separate Financial Statements". Had the Unconsolidated Subsidiaries been consolidated, many elements in the consolidated financial statements would have been materially affected.

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 2013 and the loss and cash flows of the Group for the year ended 30 June 2013.

(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$241,847,000 and HK$238,883,000 respectively at 30 June 2013 of which accumulated impairment losses of approximately HK$240,593,000 and HK$237,641,000 were recognised in the previous years. The directors of the Company are of the view that the carrying amounts of these amounts were not recoverable and impairment loss of approximately HK$1,254,000 was recognised for the year ended 30 June 2013. In addition, the Group recorded amounts due to the Unconsolidated Subsidiaries of approximately HK$1,309,000 at 30 June 2013.

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 2013 and the loss of the Group and the Company for the year ended 30 June 2013.

(3) Other receivable

Included in "Deposits, prepayments and other receivables" in the consolidated and the company statement of financial position at 30 June 2013 was other receivable of approximately HK$40,207,000 (the "**Other Receivable**") due from a debtor (the "**Debtor**"). As further explained in note 22 to the consolidated financial statements, the Debtor has defaulted the repayment of the Other Receivable and the Company has taken legal actions against the Debtor. Up to the date of this report, no settlement of the Other Receivable was made by the Debtor. No impairment loss was recognised for the Other Receivable for the year ended 30 June 2013. 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 2013 and the loss of the Group and the Company for the year ended 30 June 2013.

(4) Impairment loss of investment costs and balances due from the subsidiaries other than the Unconsolidated Subsidiaries

As further explained in note 19 to the consolidated financial statements, the Company's interests in subsidiaries at 30 June 2013 comprised of investments at cost of approximately HK$3,000 and amounts due from subsidiaries (other than the Unconsolidated Subsidiaries) of approximately HK$28,177,000. No impairment losses were recognised for such balances for the year ended 30 June 2013. We were unable to obtain sufficient appropriate audit evidence regarding to the valuation of such balances and there were no alternative audit procedures that we could perform to satisfy ourselves as to whether such balances were 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 Company at 30 June 2013 and the loss of the Company for the year ended 30 June 2013.

(5) 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 2012 in respect of which our audit opinion dated 6 December 2012 expressed a disclaimer opinion. The matters which resulted in that the disclaimer opinion included (1) opening balances and corresponding figures, (2) investments in unconsolidated subsidiaries, (3) balances with the Unconsolidated Subsidiaries, (4) material uncertainties relating to the investigation and (5) material uncertainties relating to the going concern basis. Therefore, the opening balances and corresponding figures shown may not be comparable and any adjustments to the opening balances at 1 July 2012 would have consequential effect on the loss for the year ended 30 June 2013 and/or the net assets of the Group and the Company at 30 June 2013.

(6) Going concern basis of accounting

As further explained in note 2 to the consolidated financial statements, the Group incurred net loss of approximately HK$23,568,000 during the year ended 30 June 2013 and the Group and the Company recorded a net current liabilities amounted approximately HK$6,263,000 and HK$8,473,000 respectively at 30 June 2013, which indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favorable outcomes of (i) the repayment of the Other Receivable of HK$40,207,000 of which details were set out in the note 22(c) to the consolidated financial statements; (ii) the extension of repayment of loan facility of approximately HK$42,400,000 granted by a company owned by an executive director of which details were set out in the Company's announcement dated 30 August 2013; (iii) the completion of the conditional subscription agreement, in which was under certain conditions as further explained in note 2, in respect of the issue of convertible bonds in the principal amount of HK$40,000,000 of which details were set out in the Company's announcements dated 21 March 2013, 11 April 2013, 25 April 2013, 9 May 2013, 24 May 2013, 11 June 2013 and the Company's circular dated 23 May 2013 and (iv) the completion of the conditional unsecured loan agreement, in which was under certain conditions as further explained in note 2, in the principal amount of HK$40,000,000 of which details were set out in the Company's announcements dated 21 March 2013, 11 April 2013, 25 April 2013, 9 May 2013, 24 May 2013, 11 June 2013 and the Company's circular dated 23 May 2013 (the "**Proposed Plans**").

The consolidated financial statements do not include any adjustments that would result from a failure to attain favourable results of the Proposed Plans.

Should the going concern assumption be inappropriate, any adjustments may have to be made to reflect the situation that assets may need to be realised at other than the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets. We consider that appropriate disclosures have been made in the consolidated financial statements. However, in view of the extent of the uncertainty relating to the outcomes of the Proposed Plans, we disclaim our opinion in respect of the going concern basis.

DISCLAIMER OF OPINION

Because of the significance of the 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.

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 ("Koffman"), of which Mr. Yu Zhen Hua Johnny (former name: Yu Shu Kuen), the Chairman, executive Director and Managing Director, is the ultimate beneficial owner, in the principal of HK$10 million and HK$20 million on 8 February 2012 (the "First Loan Agreement") and 27 March 2012 (the "Second Loan Agreement") respectively. All the outstanding borrowings and interest expenses accrued for the First Loan Agreement had been repaid on 7 May 2012. The loan facility of the Second Loan Agreement was increased to a principal amount of HK$50 million in accordance with the supplementary loan agreement dated 26 June 2012. The repayment date of all the outstanding borrowings for the Second Loan Agreement had been extended from 27 June 2012 to 31 December 2013, by entering of fifteen 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 and 30 August 2013 respectively.

On 8 June 2012, the Company approved the annual results announcement for the year ended 30 June 2011, in which a disclaimer of opinion was issued by the independent auditors of the Group in the independent auditors' report.

On 13 July 2012, the Stock Exchange issued a letter to the Company setting out the following conditions which must be satisfied by the Company before the Stock Exchange considers any application for trading resumption:

(a) engage an independent professional adviser acceptable to the Stock Exchange to conduct a forensic investigation to address all the issues raised in the former auditors' resignation letter and the audit qualifications made by the current auditors in its independent auditors' report for the year ended 30 June 2011;

(b) inform the market of all material information (including the findings of the forensic investigation of (a) above) that is necessary to appraise the Group's position;

(c) publish all outstanding financial results and reports, and address any other concerns raised by the current auditors; and

(d) demonstrate that the Group has adequate financial reporting procedures and internal control systems to meet the obligations under the GEM Listing Rules.

The Company should also comply with the GEM Listing Rules and all applicable laws and regulations before resumption.

The Stock Exchange may modify any of the above conditions and/or impose further conditions if the situation changes.

On 16 July 2012, the Company appointed RSM Nelson Wheeler Corporate Advisory Limited ("RSM") as the independent forensic accountants to address the conditions set out by the Stock Exchange. On 28 September 2012, a forensic investigation report (the "Forensic Investigation Report") was issued by RSM and the Company has submitted a copy of such report to the Stock Exchange on the even date. On 10 October 2012, a copy of the Forensic Investigation Report was submitted to the Board by the Special Investigation Committee formed on 7 March 2012. A summary of the major findings of the Forensic Investigation Report was set out in an announcement dated 9 April 2013. As the findings indicate that a considerable number of past transactions of the Group may be fictitious, the Company has reported the matter to the Commercial Crime Bureau of the Hong Kong Police Force. Having considered the findings of the Forensic Investigation Report and complete documentary information and reasonable explanation in respect of the transactions asserted to have been undertaken by certain subsidiaries could not be obtained, the Directors have not been able to satisfy themselves regarding the accounting treatments in respect of those transactions for the year ended 30 June 2012. As such, the results, assets and liabilities of these subsidiaries (the "Unconsolidated Subsidiaries") have not been included in the consolidated financial statements for the year ended 30 June 2012 (the "De-consolidation"). Similarly, the Unconsolidated Subsidiaries have not been included in the audited consolidated financial statements for the year ended 30 June 2013.

On 13 July 2012, EDS Distribution Limited ("EDS Distribution"), a wholly-owned subsidiary of the Company, had entered into an exclusive distribution agreement (the "Exclusive Distribution Agreement") with Montaigne Limited ("Montaigne"). Pursuant to the Exclusive Distribution Agreement, Montaigne had granted exclusive distributorship of "Evidens de Beauté" products in Hong Kong to EDS Distribution for an initial term of 3 years which shall be renewed automatically thereafter for a period of 1 year unless terminated by either party.

On 5 October 2012, the Group opened a spa of around 2,231 sq. ft. with the brand "Le Spa Evidens" in Causeway Bay, Hong Kong in order to promote and publicise "Evidens de Beauté" products and generate further income for the Group.

As disclosed in the Company's circular dated 24 January 2013 (the "Circular"), the Board proposed to put forward to the shareholders of the Company the following proposals for approval at the forthcoming extraordinary general meeting to be held on 28 February 2013 (the "EGM"):

(i) Creation of contributed surplus account and cancellation of share premium account

The Directors proposed to create a contributed surplus account of the Company and the share premium account of the Company will be cancelled. The credits arising from the cancellation of the share premium account will be transferred to the newly created contributed surplus account of the Company within the meaning of the Companies Act 1981 of the Bermuda effective upon the change of domicile. Details of such proposal were disclosed in the Circular. The proposal was approved at the EGM. As at the date of this announcement, the creation of contributed surplus account and cancellation of share premium account has not yet been completed.

(ii) Change of domicile

The Directors proposed to change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda and to adopt a new memorandum of continuance and bye-laws in compliance with Bermuda laws to replace the existing memorandum and articles of association of the Company (the "Change of Domicile"). Details of the change of domicile and adoption of new memorandum and of continuance and bye-laws were set out in the Circular. Such proposal was approved at the EGM. As at the date of this announcement, the Change of Domicile has not yet been completed.

(iii) Capital reorganisation

After the Change of Domicile, the Directors proposed to reorganise the capital of the Company, which involves the capital reduction and the capital consolidation (the "Capital Reorganisation"). Details of the Capital Reorganisation were set out in the Circular. The Capital Reorganisation was approved at the EGM. As at the date of this announcement, the Capital Reorganisation has not yet been completed.

(iv) Change of company name

The Board proposed to change the name of the Company from "China AU Group Holdings Limited" to "EDS Wellness Holdings Limited" and the existing Chinese name of the Company being "中國金豐集團控股有限公司" (which was adopted for identification purpose) will no longer be adopted, subject to the conditions as set out in the Circular being fulfilled. Details of such change were set out in the Circular. The change of company name was approved at the EGM.

On 24 April 2013, the Company announced that the Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on 8 March 2013, certifying the change of the English name of the Company from "China AU Group Holdings Limited" to "EDS Wellness Holdings Limited". The Chinese name of the Company being "中國金豐集團控股有限公司" (which was adopted for identification purpose) will no longer be adopted. Furthermore, the Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 18 April 2013 certifying the new name of the Company has been registered in Hong Kong under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). Following the Change of Company name becoming effective, with effect from 29 April 2013, the shares of the Company will be traded on the Stock Exchange under the new stock short name "EDS WELLNESS" in English and the Chinese stock short name of "中國金豐集團" will no longer be adopted.

As disclosed in the Company's announcement dated 19 February 2013, the sole director of Blu Spa (Hong Kong) Limited ("BSHK") 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.

As disclosed in the Company's circular dated 23 May 2013 (the "Circular"), the Board proposed to put forward to the shareholders of the Company the following transactions for approval at the forthcoming extraordinary general meeting to be held on 11 June 2013 (the "EGM"):

(i) Issue of convertible bonds

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 million. Details of such transactions were disclosed in the Circular. The transactions were approved at the EGM. As at the date of this announcement, the transactions of the issue of the convertible bonds and the conversion shares to be allotted and issued upon exercise of the conversion rights attaching to the convertible bonds have not yet been completed.

(ii) Application for Whitewash Waiver by the subscriber

Assuming the Capital Reorganisation takes effect, the Subscriber will be interested in approximately 75.30% of the issued share capital of the Company as enlarged by the allotment and issue of all the conversion shares, immediately upon the full exercise of the conversion rights attaching to the convertible bonds. Under Rule 26.1 of the Takeovers Code, the Subscriber and the parties acting in concert with it are required to make a mandatory general offer to the shareholders for all the issued shares unless the Whitewash Waiver is obtained. In this regards, the Subscriber will make an application to the Executive of the Securities and Futures Commission ("SFC") for the Whitewash Waiver in respect of the subscription and the exercise of the conversion rights attaching to the convertible bonds. The Whitewash Waiver was approved at the EGM and granted by the Executive of the SFC.

(iii) Loan agreement

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 "Loan Agreement"), pursuant to which, the Lender has conditionally agreed to grant an unsecured loan in the principal amount of HK$40 million to the Company for a term of 3 years from the date of drawdown. The Loan Agreement will be conditional upon the completion of the Subscription Agreement. Details of such transaction was disclosed in the Circular. The transaction was approved at the EGM. As at the date of this announcement, the transaction of the grant of an unsecured loan in the principal amount of HK$40 million to the Company by the Lender for a term of 3 years has not yet been completed.

On 27 March 2013, the Company submitted a resumption proposal (the "Resumption Proposal") to the Stock Exchange with a view to seek the Stock Exchange's approval for the resumption of trading in the shares of the Company, taking into consideration of a number of actions taken by the Company, which include, among others (i) engagement of RSM to conduct forensic investigation as mentioned above; (ii) publication of the findings of the Forensic Investigation Report; (iii) the Special Investigation Committee was of the view that no current Directors (including Mr. Wang Xiaofei and Mr. Wang Shangzhong) were involved in the fictitious transactions and irregularities as set out in the Forensic Investigation Report; (iv) voluntary winding-up of BSHK due to its incomplete books and records; (v) the timeline to publish all outstanding financial results and reports of the Company; (vi) engagement of independent financial advisor to conduct internal control review; (vii) the fund raising plan in relation to the entering into the Subscription Agreement and the Loan Agreement; (viii) the Directors' opinion on the working capital sufficiency of the Group; and (ix) the Directors' opinion on the sufficient level of operations of the Group under Rule 17.26 of the GEM Listing Rules.

On 9 April 2013, the Company received a letter from the Stock Exchange in which the Stock Exchange stated that in considering the Company's resumption, the Stock Exchange had reviewed information recently disclosed or provided by the Company on the Company's latest operation and financial position. The information gave rise to its concerns whether the Company is able to satisfy its continued listing obligations under Rule 17.26 of the GEM Listing Rules to maintain a sufficient level of operations or assets, in particular, (i) the small scale and limited track record of the Company's existing "Evidens de Beauté" distribution business and the "Le Spa Evidens" spa in Causeway Bay; and (ii) the minimal amount of turnover for the year ended 30 June 2012 and the gross loss and net loss position as shown in the financial information for the year ended 30 June 2012 and for the six months ended 31 December 2012.

The Stock Exchange expressed in the letter that there are concerned whether the Company's current business is viable and has a scale or substance which is able to justify its continued listing and it invited the Company to provide a submission on or before 8 May 2013 to demonstrate that the Company's business is viable and sustainable. On 3 May 2013, the Company has made a submission to the Stock Exchange requesting for a three months extension. On 14 May 2013, the Company received a letter from the Stock Exchange in which the Stock Exchange requested the Company to provide a submission by 8 August 2013 to demonstrate that the Company has a viable and sustainable business. The Stock Exchange expressed in such letter that this would be the final deadline for providing the submission, failing which the Stock Exchange would proceed to cancel the Company's listing under the delisting procedures of GEM Listing Rule 9.15.

On 8 August 2013, the Company made a submission to the Stock Exchange to demonstrate that the Company is able to satisfy its continued listing obligations under GEM Listing Rule 17.26 to maintain a sufficient level of operations, together with a profit and working capital forecast prepared by the management of the Company. On 12 August 2013, the Stock Exchange issued a letter to the Company in which the Stock Exchange requested the Company to provide further information for the submission dated 8 August 2013 and the Company replied with the queries of the Stock Exchange on 16 August 2013. On 23 August 2013 and 29 August 2013, the Company made another three submissions to provide the Stock Exchange with an update on the progress of the Group's business development as stated in the submission dated 8 August 2013.

During the year under review, the management continued to streamline its operations and concentrated its resources to develop its new business. Up to the date of this announcement, the Group terminated the operations of 3 spa centres located at Central, Cheung Sha Wan and Sheung Wan and a hair rejuvenating centre located at Central that brings to a total of 9 retail shops or spa centres since February 2012. Since July 2012 after the Group has been granted the exclusive distribution right for the "Evidens de Beauté" products in Hong Kong, the Group has spent tremendous effort and resources to promote the awareness and build the image of the brand, including (i) the open of "Le Spa Evidens" on 5 October 2012; (ii) the 2 days in house event on 19 March 2013 and 20 March 2013 inviting 40 guests to come along to introduce the brand "Evidens de Beauté" as well as the type of services and treatments provided at the spa; (iii) the establishment of a subsidiary in Xian, China in March 2013 for conducting the preparatory work for the distribution of "Evidens de Beauté" products in China; (iv) the renovation of the store at World Trade Centre at Causeway Bay to transform it into a "Evidens de Beauté" point of sale in May 2013; (v) the title skincare sponsor for the 25th anniversary celebration event for Occasions PR & Marketing Limited held on 15 May 2013 at Four Seasons Hotel; (vi) the one day press and publicity event held at The Peninsula Hotel on 25 June 2013 inviting 40 beauty editors and 30 celebrities to publicise the brand "Evidens de Beauté"; (vii) the subscription for a year plan advertising with Tatler Hong Kong edition and Prestige Hong

Kong edition, both of which are top luxury monthly magazines in Hong Kong; and (viii) the extension of distribution channel by the supply of "Evidens de Beauté" products to one of the biggest worldwide on line retail shops selling well known skin care & cosmetics brand.

Financial Review

Due to De-consolidation, the financial statements of the Unconsolidated Subsidiaries have not been included in the audited consolidated financial statements of the Group for the year ended ended 30 June 2013.

During the year under review, the Group recorded a turnover of approximately HK$8.1 million of which approximately HK$4.5 million, approximately HK$2.5 million and approximately HK$1.1 million were generated from the sales of beauty products, provision of therapy services and sales of beauty equipment respectively. The gross loss of approximately HK$3.5 million was mainly attributed to the direct costs of salaries and rental expenses incurred in the preliminary development stage of the new business and the extra sales discounts offered for the sales of beauty products under the brand name "Blu Spa". The operations of the Group improved in the fourth quarter that as contributed by the gross profit recorded in the fourth quarter, the gross loss recorded for the year ended 30 June 2013 was less than the aggregate gross loss recorded in the pervious three quarters.

Other income of approximately HK$9.1 million was mainly contributed by the gain on defaulted payment of the refundable deposit of approximately HK$4.5 million and other interest income on overdue receivable in relation to the refundable deposit of approximately HK$4.6 million.

The selling and distribution costs of approximately HK$2.3 million was mainly attributed to the subscription fee for advertising with magazines and expenses for several once-off marketing and promotion events held during the year, e.g. the grand opening ceremony of the "Le Spa Evidens" and the title skincare sponsor for the 25th anniversary celebration event for Occasions PR & Marketing Limited.

The administrative expenses of approximately HK$21.8 million mainly comprised of (i) salaries and directors' remuneration of approximately HK$7.1 million; (ii) legal and professional fees of approximately HK$5.4 million; (iii) depreciation of approximately HK$1.4 million; (iv) audit fee of approximately HK$1.0 million; (v) rent and rates of approximately HK$1.2 million; (vi) written off on fixed assets of approximately HK$1.1 million; (vii) entertainment of approximately HK$1.1 million; and (viii) overseas travelling expenses of approximately HK$0.6 million.

The finance costs of approximately HK$3.7 million was mainly attributed to the loan interest expenses paid to Koffman during the year under review.

The consolidated loss attributable to owners of the Company amounted to approximately HK$23.6 million for the year ended 30 June 2013 (2012: approximately HK$100.4 million). The improvement of the results was mainly contributed by the non-recurrence of once-off impairment loss recognised in respect of deposits, prepayments and other receivables recorded in the corresponding period in last year.

During the year under review, non-operating professional fees incurred for the preparation of the resumption of trading in shares of the Company comprised of: (i) the professional fees for forensic investigation of approximately HK$1.2 million; (ii) the professional fees for internal control review of approximately HK$0.4 million; (iii) the professional fees for the issue of audited consolidated financial statements for the six months ended 31 December 2012 of approximately HK$0.5 million; and (iv) the professional fees for handling the submission of resumption proposal to the Stock Exchange of approximately HK$1.1 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group had total assets of approximately HK$ 53.8 million (2012: approximately HK$ 57.7 million), including cash and bank balances of approximately HK$ 1.8 million (2012: approximately HK$ 0.3 million).

During the year under review, the Group financed its operation with internally generated cash flows and borrowing from Koffman.

CAPITAL STRUCTURE

As at 30 June 2013, the total borrowings of the Group amounted to approximately HK$42.4 million (2012: approximately HK$19.6 million), representing the borrowing from Koffman of which is unsecured, at an interest rate of 12% per annum and repayable within one year.

GEARING RATIO

The gearing ratio, expressed as percentage of total borrowings to total assets, was 78.8% (30 June 2012: 34.0%). The deterioration in gearing ratio was mainly attributed to the increase in borrowing during the year under review.

CHARGE ON THE GROUP'S ASSETS

As at 30 June 2013, the Group had charged bank deposits of approximately HK$0.5 million (2012: Nil) in favour a bank for certain commercial services granted to a subsidiary of the Company.

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 2013, the Group had operating lease commitments of approximately HK$4.1 million (2012: approximately HK$7.4 million).

CONTINGENT LIABILITIES

As at 30 June 2013, the Group had no contingent liabilities (2012: Nil).

EMPLOYEES

As at 30 June 2013, the Group had 30 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 2013.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not make any material acquisitions and disposal of subsidiaries and affiliated companies for the year ended 30 June 2013.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save for the acquisition as disclosed in the paragraph headed "Acquisition of new business" below, the Group does not have any concrete plan for material investments or capital assets for the coming year.

Future Plans

The Group is exploring new business opportunities and furthering its business development including:

Launch of new products line

A new extreme line of the "Evidens de Beauté" products will be launched to the market in November 2013. It is expected that sales will be stimulated by the introduction of the new products line.

Distribution of "Evidens de Beauté" products in the PRC

A subsidiary of the Company was established in Xian, China in March 2013. The Group has appointed an agent for registration of a selected range of the "Evidens de Beauté" products in China. The registration is in progress and pending the provision of further information from the brand owner of "Evidens de Beauté". The Group is negotiating with the brand owner of "Evidens de Beauté" for extending the distribution right to China. The Group plans to commence distribution of the "Evidens de Beauté" products in China after the products are registered. The Group will gradually promote the brand name of "Evidens de Beauté" in China in the meantime. The Group has sponsored "Guangzhou (International) Fashion Hair Style, Make Up and Image Design Competition" held on 24 August 2013 to 25 August 2013 in Guangzhou.

Extension of distribution channel in Macau

On 30 August 2013, the Company announced that on 8 August 2013, EDS (Asia) Limited ("EDS Asia"), an indirect wholly-owned subsidiary of the Company, entered into a supply agreement (the "Macau Agreement") with a member of a pharmaceutical group (the "Macau Retailer"). EDS Asia is the holding company of EDS Distribution Limited ("EDS Distribution") which is the exclusive distributor in Hong Kong of the "Evidens de Beauté" products. Pursuant to the Macau Agreement, EDS Asia has agreed to appoint the Macau Retailer as its sole and exclusive retail agent in Macau and supply the "Evidens de Beauté" products to the Macau Retailer for retail sales initially in four of its associated pharmaceutical stores in Macau up until 30 June 2015 which shall be renewed thereafter for a further term of 2 years if agreed by the parties to the Macau Agreement. The Macau Agreement is subject to the conditions precedent that (i) a consent to the extension of the exclusive distribution right of EDS Distribution to Macau or the supply of the "Evidens de Beauté" products to the Macau Retailer has been obtained from the brand owner of the "Evidens de Beauté" products; (ii) EDS Asia has provided to the Macau Retailer all the required and necessary documents and agreements entered with the brand owner of the "Evidens de Beauté" products to the satisfaction of the Macau Retailer for verification; and (iii) the Macau Retailer has given a written notice of satisfaction within 7 days after receiving and being satisfied with all the documents and consent referred to in (i) and (ii) above confirming that all the conditions precedent are fulfilled and satisfied.

Exclusive distribution right of "Evidens de Beauté" products in Macau

On 29 August 2013, the Company announced that on 30 August 2013, EDS Distribution has been granted by Montaigne 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.

New shop at The Pulse, Repulse Bay

The Group is negotiating with the landlord of The Pulse at Repulse Bay for a lease of a shop with the floor area of approximately 800 sq. ft. The negotiation is in the final stage and the Group has received a draft offer letter from the landlord in respect of a shop located on the upper ground floor of The Pulse. The Group expects that the new shop at The Pulse will be officially opened on or before the first quarter of 2014. It is expected that the new shop will be benefited by the strong purchasing power of the residents and visiting tourists at Repulse Bay.

New distribution channel to an international online shop

The Group is in discussion with an international premier online luxury fashion retailer about the supply of the new "Evidens de Beauté" products line on an exclusive basis for sales on its new online shop to be opened before October 2013 in Hong Kong.

Acquisition of new business

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, pursuant to which EDS International agreed to acquire and the Vendors agreed to sell 51% issued share capital of a company (the "Target Company") and the obligations, liabilities and debts owing by or due from the Target Company to the Vendors as at the completion date (the "Acquisition"). The Target Company principally engages in beauty and wellness services in Hong Kong. The Acquisition is subject to a formal share and purchase agreement which is expected to be finalized on or before 30 September 2013. 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. As at the date of this announcement, the Company is in the process of preparing an announcement in relation to the Acquisition.

Promotion of the brand "Evidens de Beauté"

The Group will continue to promote the brand and the promotion plan for the "Evidens de Beauté" products is including: (i) to subscribe advertising plan with Prestige Hong Kong edition; (ii) to look into placing new advertisements on local monthly and weekly magazines; (iii) to arrange small group gatherings weekly with beauty editors to share news within the industry and to increase the exposure of the "Evidens de Beauté" brand; (iv) to sponsor Hong Kong Tatler Ball in September 2013 under the brand name "Evidens de Beauté"; (v) to plan to organise a big advertising campaign in the most traffic area towards end of 2013 or early 2014; and (vi) to launch Christmas promotion in 2013.

LITIGATION

On 25 September 2012, a writ of summons (the "Writ") was issued in the High Court of Hong Kong by Blu Spa (Hong Kong) Limited ("BSHK"), an unconsolidated subsidiary of the Company, as the plaintiff (the "Plaintiff") claiming against Mr. Shum Yeung as the defendant (the "Defendant") for, inter alia, (i) the repayment of an outstanding sum due and owing from the Defendant under a deed of termination dated 5 April 2012 (the "Deed of Termination") and four repayment extension agreements dated 4 July 2012, 24 July 2012, 3 August 2012 and 21 August 2012 respectively (collectively, the "Repayment Extension Agreements") entered into between the Plaintiff and Defendant; and (ii) the breach of the Deed of Termination and/or the Repayment Extension Agreements.

The Plaintiff claims (the "Claims") against the Defendant for the following relief:

(a) the outstanding sum of HK$45,000,000.00 (the "Outstanding Sum");

(b) the contractual interest accrued and due on the Outstanding Sum;

(c) the interest; and

(d) the costs.

On 26 October 2012, the Company announced that Plaintiff was in the process of applying for summary judgement against the Defendant. The hearing had been fixed for 30 January 2013.

On 1 November 2012, the Plaintiff and the Defendant entered into a deed of settlement (the "Deed of Settlement") for the purpose of settling the Claims under the Writ. Pursuant to the Deed of Settlement, in consideration of the Plaintiff and the Defendant agreeing to settle the Claims as follows:

(i) the Defendant shall pay the following amounts by way of cashier's order or solicitors' cheque to the Plaintiff on the following specified dates:

    (a) HK$4,050,000.00 payable to the Plaintiff on 13 November 2012;

    (b) HK$1,597,808.20 payable to the Plaintiff on 13 November 2012; and

    (c) HK$36,450,000.00 payable to the Plaintiff on 30 November 2012;

(ii) upon payment of the entirety of the sums by the Defendant on the specified dates as set out above, the Plaintiff shall by way of court order withdraw the legal proceedings and the summary judgement application under the Writ and the statutory demand against the Defendant with no order as to costs.

On 21 December 2012, the Company announced that the Plaintiff received an aggregate sum of HK$5,647,808.20 from the Defendant. In addition, the Plaintiff agreed to further extend the repayment date of HK$36,450,000 and the Defendant shall pay the following amounts by way of cashier's order or solicitors' cheque to the Plaintiff on the following specified dates:

(a) HK$838,849.32, being the accrued interest from 1 December 2012 to 28 December 2012 (both day inclusive), shall be payable to the Plaintiff on 28 December 2012;

(b) HK$90,000.00, being the legal costs in relation to the Deed of Settlement, shall be payable to the Plaintiff on 28 December 2012; and

(c) RMB29,571,885.00, equivalent to approximately HK$36,450,000.00 (at the exchange rate of 0.8113 as quoted from The People's Bank of China as at 20 December 2012), being the outstanding principal, shall be payable to the receiving agent appointed by the Plaintiff, namely Mr. Yu Shu Kuen, in the mainland China on 28 December 2012.

On 2 January 2013, the Plaintiff received a sum of HK$928,726.00, being the accrued interest from 1 December 2012 to 31 December 2012.

On 7 January 2013, the Plaintiff agreed to accept the proposal from the Defendant to further extend the repayment date of HK$36,450,000.00 and the Defendant shall pay the following amounts by way of cashier's order or solicitors' cheque to the Plaintiff on the following specified dates:

(a) HK$479,342.47, being the accrued interest from 1 January 2013 to 16 January 2013, shall be payable to the Plaintiff on 16 January 2013;

(b) The outstanding principal of HK$36,450,000.00 in its equivalent amount of Renminbi shall be paid to the receiving agent appointed by the Plaintiff, namely Mr. Yu Shu Kuen, in the mainland China on 29 January 2013; and

(c) HK$120,000.00, being the legal costs in relation to the Deed of Settlement, shall be payable to the Plaintiff on 29 January 2013.

The Plaintiff received a sum of HK$479,342.47 on 16 January 2013.

On 29 January 2013, the Plaintiff and the Company entered into the deed of assignment (the "Deed of Assignment") pursuant to which the Plaintiff agreed to assign and transfer to the Company all of its rights, title, interest and obligation in and to the Deed of Termination and Repayment Extension Agreements (the "Debt Documents"), (as well as all the fruits, benefits, rights, advantages, judgement sums and interests of and/or arising from the legal proceedings represented by the Writ, if any) in the consideration of HK$36,450,000.00 to be paid by the Company to the Plaintiff and the Company agreed to undertake to perform in accordance with the terms of the Debt Documents all remaining obligations and duties of the Plaintiff with immediate effect.

On 29 January 2013, the Plaintiff, the Defendant and the Company entered into the second deed of settlement (the "Second Deed of Settlement") pursuant to which the Plaintiff shall pay the Company the following amounts by way of cashier's order or solicitors' cheque on or before the following specified dates:

(a) HK$1,822,500.00, being 5% of the outstanding principal sum of HK$36,450,000.00 (the "Outstanding Principal Sum") payable on or before 29 January 2013;

(b) HK$389,465.70, being the daily interest accruing for January 2013 (from 17 January 2013 to 29 January 2013) payable on or before 29 January 2013;

(c) HK$1,736,118.49, being the additional daily interest accruing on the new principal balance of HK$34,627,500.00 (the "New Balance") (for the period from 30 January 2013 to 31 March 2013) payable on or before 29 January 2013;

(d) HK$120,000.00, being part contribution to the legal costs of the Plaintiff payable on or before 29 January 2013; and

(e) HK$34,627,500.00, being the New Balance payable on or before 31 March 2013.

Upon execution of the Second Deed of Settlement, a consent summons signed by the respective solicitors for the Plaintiff and the Defendant had been filed with the High Court asking for an order to adjourn the Hearing with liberty to restore.

Upon the payment of the entirety the sums on specified dates as set out above, the Plaintiff and/or the Company shall withdraw the legal proceedings against the Defendant.

On 29 January 2013, the Company received an aggregate sum of HK$4,068,084.19.

On 31 March 2013, the Defendant defaulted to pay the HK$34,627,500.00 as stated in the Second Deed of Settlement.

On 25 April 2013, the Company announced that the Company agreed to accept the Defendant's repayment proposal on the following terms:

(a) The Defendant shall pay HK$34,627,500.00, being the New Balance to the Company on or before 30 April 2013;

(b) The Defendant shall pay the additional daily interest to the Company for the period from 1 April 2013 to 26 April 2013 in the total sum of HK$739,984.93 on or before 4: 00 p.m. on 26 April 2013. The Defendant shall further pay the additional daily interest to the Company from 26 April 2013 until actual payment on or before 30 April 2013; and

(c) The Defendant shall pay the agreed legal costs of HK$20,000.00 to the Company on or before 30 April 2013.

As announced by the Company on 3 May 2013, the Company received from the Defendant the contractual interest of HK$853,828.77 for the period from 1 to 30 April 2013 and the agreed legal costs of HK$20,000.00.

Upon further negotiations, the Company and the Defendant have principally agreed to a new repayment proposal in which the New Balance of HK$34,627,500.00 and the interest accrued thereon shall be paid by the Defendant in the following manner (the "New Repayment Proposal"):

(a) the contractual interest of HK$882,289.73 for the period from 1 to 31 May 2013 shall be payable on or before 4 p.m. on 31 May 2013;

(b) HK$22,627,500.00 being partial payment of the New Balance shall be payable on or before 4 p.m. on 31 May 2013;

(c) the contractual interest of HK$601,643.84 for the period from 1 June to 31 July 2013 shall be payable on or before 4 p.m. on 31 May 2013; and

(d) HK$12,000,000.00 being the remaining balance of the New Balance shall be payable on or before 4 p.m. on 31 July 2013.

Further, Dutfield International Group Company Limited ("Dutfield") has agreed to guarantee, unconditionally and irrevocably, as a principal debtor and not merely as a surety, that it shall be jointly and severally liable to the Company for the Defendant's debts and liabilities under the legal proceedings. Dutfield undertakes that if and whenever the Defendant shall be in default in any of the above payments when it becomes due and payable, Dutfield shall on demand make immediate payment of any outstanding balance of the Defendant's debt due to the Company under the legal proceedings.

Dutfield is also a plaintiff in the legal proceedings for, among others, the claim for the sum of HK$141,360,000.00 under a loan agreement (the "Dutfield Loan Agreement") and in default of full payment of such sums found due by the court, an order for sale of the property mortgaged (the "Mortgaged Property") to Dutfield under a second mortgage (the "Second Mortgage") with the proceeds of sale to be applied to firstly discharge the liabilities under the first mortgage (the "First Mortgage") and secondly discharge the liabilities under the Dutfield Loan Agreement and the Second Mortgage. The Company, the Defendant and Dutfield have agreed that any proceeds received by Dutfield in such proceedings shall be paid to the Company immediately as the set off of the Defendant's debt due to the Company under the legal proceedings against the Defendant without being affected by the payment schedule agreed between the Company and the Defendant in any event.

Dutfield is owned as to 50% by Ms. Chan Choi Har, Ivy, a former executive Director and as to 50% by Mr. Law Kin Ming, Alfred, the husband of Ms. Chan Choi Har, Ivy.

On 30 May 2013, Dutfield executed a deed of guarantee in favour of the Company pursuant to which, amongst others:

(1) The Company agrees not to commence or continue any proceedings against the Defendant provided that the Defendant shall pay to the Company the following amounts (the "Payment Obligations") by way of cashier order or solicitors' cheque on or before the following specified dates:

    (a) contractual interest of HK$882,289.73 for the period from 1 to 31 May 2013 payable on or before 4 pm on 11 June 2013;

    (b) HK$22,627,500.00 being partial payment of the principal of HK$34,627,500.00 (the "Settlement Sum") payable on or before 4 pm on 28 June 2013;

    (c) contractual interest of HK$601,643.84 for the period form 1 June to 31 July 2013 payable on or before 4pm on 28 June 2013; and

    (d) HK$12,000,000.00 being the remaining balance of the Settlement Sum payable on or before 4pm on 31 July 2013; and

(2) Dutfield guarantees, unconditionally and irrevocably, as principal debtor and not merely as surety, to the Company for the Payment Obligations of the Defendant. Dutfield further specifically undertakes with the Company that if and whenever the Defendant shall be in default in respect of any of the Payment Obligations when it becomes due and payable, Dutfield shall on demand make immediate payment of any outstanding thereof, together with interest thereon, to the Company.

As at the date of this announcement, save as the contractual interest of HK$882,289.73 for the period from 1 to 31 May 2013, the Company has not received any sum from the Defendant under the Payment Obligations. 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, amongst others, the Company be granted leave to substitute BSHK as the plaintiff in the legal action against the Defendant. 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 Court adjudged that the Defendant (i) do pay the Company the sum of HK$39,127,500.00 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 will demand the Defendant's immediate payment of the judgment debt. If the Defendant fails and/or refuses to pay the judgment debt, the Company will take enforcement proceedings against the Defendant to recover it.

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 2013, 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 2013 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.

On 28 February 2013, the Company engaged ZHONGLEI Risk Advisory Services Limited ("ZHONGLEI") to conduct a review of the Group's internal control system (the "ICR Review"). The compliance with the CG Code and Report is one of the scopes of the ICR Review. An ICR Review report was issued by on 16 April 2013 in which recommendations were made by ZHONGLEI to the management of the Company for the enhancement of the internal control of the Group in accordance with deficiencies identified in the relevant financial procedures, systems and internal controls of the Group. On 5 September 2013, a follow-up review report (the "Follow-Up Review Report") was issued by ZHONGLEI for the purpose to follow up the progress for the procedures implemented by the management to enhance and improve the Group's internal control system.

During the year under review, 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 as stated below.

Notice of regular board meeting

Code provision A.1.3 of the CG Code and Report stipulates that notice of at least 14 days should be given to all Directors of a regular Board meeting. All Directors are given an opportunity to attend and include matters in the agenda for discussion. For the period from 1 July 2012 to 31 March 2013, at least 7 business days' notice are given to all Directors of regular board meeting. In accordance with the findings of the Follow-Up Review Report, sufficient notice are given to all Directors of a regular board meeting held on 19 April 2013.

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.

Roles of chairmans 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.

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. In accordance with the findings of the Follow-Up Review Report, 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.

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. During the year under review, the management of the Company did not provide monthly updates to all members of the Board, as all the executive Directors were involved in the daily operation of the Group and were fully aware of the performance, position and prospects, and the management of the Company has provided to all Directors (including non-executive Directors and independent non-executive Directors) quarterly updates of the Company's performance, position and prospects in sufficient details during the regular Board meetings of the Company.

In addition, the management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient information for matters brought before the Board.

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.

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. During the year under review, no formal written document was established to specify and formalize the functions reserved to the board and delegated to management and the division of responsibilities, accountabilities and contributions between the board and management. In accordance with the findings of the Follow-Up Review Report, 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. During the year under review, no formal terms of reference of the Board was established. In accordance with the findings of the Follow-Up Review 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. During the year under review, no formal shareholders' communication policy was established. In accordance with the findings of the Follow-Up Review Report, on 28 August 2013, the Board adopted the "Shareholders Communication Policy" to comply with the code provision.

By order of the Board
EDS Wellness Holdings Limited
Lee Chan Wah
Executive Director

Hong Kong, 6 September 2013

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Yu Zhen Hua Johnny (former name: Yu Shu Kuen), Mr. Wang Xiaofei (with Mr. Lee Chan Wah as alternate), Mr. Wang Shangzhong and Mr. Lee Chan Wah; one non-executive Director, namely Mr. Du Juanhong; 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.