THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in EDS Wellness Holdings Limited (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

EDS
EDS Wellness Holdings Limited

EDS Wellness Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8176)

VERY SUBSTANTIAL ACQUISITION IN RESPECT OF THE PROPOSED ACQUISITION OF 51% EQUITY INTEREST IN AND THE SHAREHOLDERS' LOAN DUE BY CHINA HONEST ENTERPRISES LIMITED AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the extraordinary general meeting of the Company to be held at 3/F, Woo Sing Kee Industrial Building, 138 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong on Tuesday, 8 April 2014 at 11:30 a.m. is set out on pages 193 to 195 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed with this circular.

Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish and in such event, the proxy shall be deemed to be revoked.

21 March 2014

CHARACTERISTICS OF GEM

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 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.

CONTENTS

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

"Announcement"	the announcement of the Company dated 4 November 2013 in relation to the Proposed Acquisition
"associates"	has the meaning ascribed thereto in the GEM Listing Rules
"Board"	the board of Directors from time to time
"Business Day"	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"Company"	EDS Wellness Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the GEM
"Completion"	completion of Proposed Acquisition
"Completion Date"	date of Completion
"connected person(s)"	has the meaning ascribed to this term under the GEM Listing Rules
"Consideration"	the consideration for the sale and purchase of the Sale Shares and the Sale Loan
"Deeds of Assignment"	the deeds of assignment in respect of the Sale Loan in the agreed form to be entered into among the Vendors, the Target Company and the Purchaser to assign all their respective rights, titles, benefits and interests in the Sale Loan and all obligations, liabilities and debts owing or incurred by the Target Company to the Purchaser on or at any time prior to Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion to the Purchaser and the Purchaser agrees to accept such assignments on the terms of the deeds of assignment
"Director(s)"	the director(s) of the Company

"EGM"	the extraordinary general meeting of the Company to be convened and held on Tuesday, 8 April 2014 at 11:30 a.m. to consider and, if thought fit, to approve the resolutions set out in the notice of EGM in this circular
"Enlarged Group"	The Group as enlarged by the Target Company as a result of the Proposed Acquisition
"Eternity"	Eternity Investment Limited (Stock code: 764), an exempted company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange. As at the Latest Practicable Date, Eternity is deemed to be interested in the zero interest convertible bonds of the Company in a principal amount of HK$40 million and is a party to an unsecured loan in a principal amount of HK$40 million. Please refer to the Company's announcements dated 21 March 2013 and 30 October 2013 and the Company's circular dated 23 May 2013 for details
"Extension Letter"	the extension letter dated 18 March 2014 entered into between the Purchaser and the Vendors in relation to the extension of the Long Stop Date
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party"	third party(ies) independent of the Company, Eternity and their respective connected persons (as defined in the GEM Listing Rules)
"Latest Practicable Date"	19 March 2014, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
"Loan"	an unsecured and non-interest bearing loan in the principal sum of HK$10,000,000
"Loan Agreement"	the loan agreement to be entered into between the Purchaser and the Target Company upon Completion in relation to the provision of the Loan to the Target Company as general working capital

"Long Stop Date"	30 April 2014 or such other later date as agreed by the Vendors and the Purchaser
"Mr. Lai"	Mr. Lai Wing Nok, an Independent Third Party who owns 32% of the issued share capital of the Target Company
"Ms. Chan"	Ms. Chan Suk Yee, Deon, an Independent Third Party who owns 68% of the issued share capital of the Target Company
"Promissory Notes"	the promissory notes to be issued by the Company to the Vendors in the aggregate principal amount of HK$13,420,000 as part of the Consideration
"Proposed Acquisition"	the proposed acquisition of the 51% equity interest in and the Sale Loan of the Target Company by the Purchaser from the Vendors as contemplated under the Sale and Purchase Agreement
"Purchaser"	EDS International Holdings Limited, a company incorporated in the British Virgins Islands with limited liability, a direct wholly-owned subsidiary of the Company
"Sale and Purchase Agreement"	the formal share purchase agreement dated 18 October 2013 (as supplemented by the Extension Letter) entered into between the Purchaser and the Vendors in relation to the Proposed Acquisition
"Sale Loan"	the amount owing as at the Completion Date by the Target Company to the Vendors in respect of loans repayable on demand made by the Vendors to the Target Company and all obligations, liabilities and debts owing or incurred by the Target Company to the Vendors on or at any time prior to Completion whether actual, contingent or deferred and irrespective of whether the same is due and payable on Completion
"Sale Shares"	51 shares in the Target Company as to 19 shares from Ms. Chan and as 32 shares from Mr. Lai, representing 51% of the issued share capital of the Target Company
"Service Agreement"	the service agreement to be entered into between the Target Company and Dr. Lui Ngo Yin to appoint Dr. Lui Ngo Yin as the chief executive officer of the Target Company upon Completion
"SFO"	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
"Shareholder(s)"	the holder(s) of the issued Shares

"Shareholders' Agreement"	the shareholders' agreement to be entered into between the Purchaser, Ms. Chan and the Target Company which shall set out the rights and obligations of the Purchaser and Ms. Chan and the arrangements between them with respect to the ownership, management and operations of the Target Company upon Completion
"Share(s)"	ordinary share(s) of HK$0.1 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Target Company"	China Honest Enterprises Limited, a company incorporated in Hong Kong with limited liability
"Term Sheet"	the Term Sheet dated 30 August 2013 as supplemented by the extension agreements dated 30 September 2013 and 10 October 2013 entered into between the Purchaser and the Vendors setting out the major terms of the Proposed Acquisition
"Vendors"	together, Ms. Chan and Mr. Lai
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

EDS Wellness Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8176)

Executive Directors:
Mr. Yu Zhen Hua Johnny *(Chairman)*
Mr. Wang Xiaofei
(Mr. Lee Chan Wah as alternate)
Mr. Wang Shangzhong
Mr. Lee Chan Wah

Non-executive Director:
Mr. Du Juanhong

Independent non-executive Directors:
Mr. Tam B Ray Billy
Mr. Chu Kin Wang Peleus
Mr. Tse Joseph

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
19/F., Prosperity Tower
No. 39 Queen's Road Central
Central, Hong Kong

21 March 2014

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION IN RESPECT OF THE PROPOSED ACQUISITION OF 51% EQUITY INTEREST IN AND THE SHAREHOLDERS' LOAN DUE BY CHINA HONEST ENTERPRISES LIMITED AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement of the Company dated 4 November 2013 in relation to the Proposed Acquisition.

The purpose of this circular is to provide you with further details of the Proposed Acquisition and the notice convening the EGM.

SALE AND PURCHASE AGREEMENT

Date:

18 October 2013

Parties:

(i) EDS International Holdings Limited, a direct wholly-owned subsidiary of the Company, as purchaser

(ii) Ms. Chan and Mr. Lai as vendors

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Vendors are Independent Third Parties.

Subject matter

Pursuant to the Sale and Purchase Agreement, the Purchaser will acquire (i) 19 Sale Shares from Ms. Chan and 32 Sale Shares from Mr. Lai, representing 51% of the issued share capital of the Target Company in aggregate; and (ii) the Sale Loan, representing the shareholders' loans owing by the Target Company to the Vendors as at Completion. As at 31 August 2013 and 31 December 2013, the Sale Loan amounted to HK$1,536,802.60 and HK$1,386,802.60 respectively.

Consideration

The aggregate Consideration shall not exceed HK$21,420,000 (subject to adjustments as described in the section headed "Profit Guarantee" below) payable in the following manner:

(i) a deposit (the "**Deposit**") of HK$2,000,000, being part payment of the Consideration, has been paid by the Purchaser to the Vendors in cash upon signing of the Sale and Purchase Agreement as to HK$745,098 to Ms. Chan and HK$1,254,902 to Mr. Lai respectively; and

(ii) The remaining balance of HK$19,420,000 shall be satisfied by the Purchaser by payment of cash and procuring the Company to issue the Promissory Notes on the Completion Date in the following manner:

   (a) as to HK$6,000,000 to be paid in cash by the Purchaser, of which HK$2,235,294 payable to Ms. Chan and HK$3,764,706 payable to Mr. Lai respectively;

   (b) as to HK$7,000,000 by Promissory Notes due 30 June 2014 ("**PN I**") to Ms. Chan and Mr. Lai in the principal amounts of HK$2,607,843 and HK$4,392,157 respectively; and

(c) as to HK$6,420,000 by Promissory Notes due 30 June 2015 ("**PN II**") to Ms. Chan and Mr. Lai in the principal amounts of HK$2,391,765 and HK$4,028,235 respectively.

The cash portions of the Consideration of the Deposit of HK$2,000,000 paid upon signing of the Sale and Purchase Agreement, HK$6,000,000 to be paid on the Completion Date and the HK$7,000,000 of the PN I due on 30 June 2014, has been and will be satisfied by the additional loan facilities granted by Koffman Investment Limited, a company beneficial owned by Mr. Yu Zhen Hua, Johnny, the Director and the Chairman of the Company, as disclosed in the announcement of the Company dated 13 February 2014.

Profit Guarantee

Pursuant to the Sale and Purchase Agreement, the Vendors irrevocably and unconditionally warrant and guarantee to the Purchaser that the profits before taxation and extraordinary items of the Target Company for the years ending 31 March 2014 and 31 March 2015 will not be less than HK$4,000,000 ("**2014 Guaranteed Profit**") and HK$9,000,000 ("**2015 Guaranteed Profit**") respectively (collectively the "**Profit Guarantee**").

In the event that the actual profit before taxation and extraordinary items of the Target Company for the year ending 31 March 2014 ("**2014 Actual Profit**") shall be less than 2014 Guaranteed Profit, the Vendors shall compensate the Purchaser an amount equivalent to the shortfall ("**2014 Shortfall**") between 2014 Guaranteed Profit and 2014 Actual Profit.

In the event that the actual profit before taxation and extraordinary items of the Target Company for the year ending 31 March 2015 ("**2015 Actual Profit**") shall be less than 2015 Guaranteed Profit, the Vendors shall compensate the Purchaser an amount equivalent to the shortfall ("**2015 Shortfall**") between 2015 Guaranteed Profit and 2015 Actual Profit.

In case the Profit Guarantee is not fulfilled, the compensation obligation of the Vendors shall be discharged by way of setting off 2014 Shortfall or 2015 Shortfall (as the case may be) against the face value of the PN I (for 2014 Shortfall) or the PN II (for 2015 Shortfall) on a dollar for dollar basis. In the event that there shall remain any balance of 2015 Shortfall after the PN II is fully set off, such balance of 2015 Shortfall shall be paid by the Vendors to the Purchaser in cash within 7 Business Days.

For the avoidance of doubt, should the Target Company record a loss for the relevant period, the actual profit before taxation and extraordinary items of the Target Company for such relevant period shall be deemed to be zero.

The final Consideration after adjustments under the Profit Guarantee shall be:

Final Consideration = HK$21,420,000 – 2014 Shortfall – 2015 Shortfall

The Vendors and the Purchaser shall procure that the audited financial statements of the Target Company for the relevant period shall be prepared and reported on at the cost and expenses of the Purchaser by the auditors of the Company (the "**Auditors**") by the date falling three months after the expiry of the relevant period, and the Auditors shall issue a certificate (the "**Guarantee Certificate**") to certify the amounts of 2014 Actual Profit and 2015 Actual Profit. The Guarantee Certificate shall, in the absence of manifest error, be final and conclusive of the matters stated therein and binding on the Vendors and the Purchaser provided that the Auditors should have consulted with the Vendors and taken into account the Vendors' views before the issue of the Guarantee Certificate.

Basis of the Consideration

The Consideration of HK$21,420,000 was determined on normal commercial terms and arrived at after arm's length negotiation between the Company and the Vendors of the Sale and Purchase Agreement after taking into consideration (i) the business prospect of the Target Company; (ii) the synergy effect to both the Group and the Target Company; (iii) the Profit Guarantee; (iv) the adjustments mechanism to the Promissory Notes under the sub-section headed "Profit Guarantee" above; and (v) the price to earnings ratios of other listed companies in Hong Kong engaging similar business of the Target Company.

The Consideration represents a price to earnings ratio of approximately 6.46 times, which is based on 51% of the average of the Profit Guarantee of HK$13,000,000 for two years to the Consideration of HK$21,420,000 (i.e. HK$21,420,000/((HK$13,000,000/2) *51%)). The Board has identified four listed comparable companies (the "**Comparables**") which engaged in similar line of business as the Target Company. Of the four identified Comparables, the price to earnings ratios were ranged from approximately 7.19 times to 10.90 times as at the date of the Sale and Purchase Agreement. As such, the Consideration, which is equivalent to a price to earnings ratio of approximately 6.46 times as calculated in this section above, is at the lower end of the price to earnings ratios of the Comparables.

Although the Target Company recorded net loss in the financial year ended 31 March 2013, the Board considers that the prospect of the Target Company is promising and the Profit Guarantee provided by the Vendors can be achieved, after taking into account that (i) the net loss recorded were mainly due to the additional expenses incurred for the expansion of operation center in October 2012; and (ii) through the increase in customer base by the Proposed Acquisition, the revenue of the Target Company in the coming financial years would be increased of which is supported by the customers who are able to afford high-end beauty and slimming services and demand for reliable anti-aging treatments.

Taking into account the Profit Guarantee, the business prospects of the Target Company and benefits for the Proposed Acquisition which mentioned under the sub-section headed "Reasons for the Proposed Acquisition" below, the Directors consider that the Proposed Acquisition are in line with the Group's business strategy and that the Proposed Acquisition will contribute positively to the Group's profit and future development by broadening its revenue base and business opportunities of the Group, which will provide a long-term benefit to the Company and the Shareholders taken as a whole. Furthermore, the Board has reviewed the audited financial statements of the Target Company for the six months ended 30 September 2013 and the information from the unaudited management accounts of the Target Company for the three months ended 31 December 2013, the Directors remain positive that the 2014 Guaranteed Profit can be achieved.

In view of the above, the Directors consider that the Consideration, the Profit Guarantee and the corresponding adjustment mechanism to the Consideration (as set out above), are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

Conditions Precedent

Completion is conditional upon fulfillment of the following conditions:

(a) the Purchaser having been reasonably satisfied with the results of the due diligence review on the assets, liabilities, operations and affairs of the Target Company;

(b) the despatch of a circular of the Company relating to the Proposed Acquisition in accordance with the GEM Listing Rules;

(c) the Shareholders having approved the ordinary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Promissory Notes) at the EGM;

(d) all warranties given by the Vendors in the Sale and Purchase Agreement remaining true and correct in all respects and not misleading; and

(e) the Purchaser having reasonably satisfied that there has not been any material adverse change on the Target Company since the date of the Sale and Purchase Agreement.

The Purchaser shall procure the fulfillment of all the above conditions precedent by the Long Stop Date and may in its absolute discretion at any time waive the conditions set out in (a), (d) and (e) above by notice in writing. Neither the Purchaser nor the Vendors may waive any of the conditions set out in (b) and (c) above. As at the Latest Practicable Date, none of the above conditions is fulfilled.

In the event that the conditions precedent are not fulfilled or waived (as the case may be) on or before the Long Stop Date, the Sale and Purchase Agreement shall cease and terminate and thereafter neither party to the Sale and Purchase Agreement shall have any rights or obligations towards each other except in respect of any antecedent breach, and the Vendors shall refund the Deposit to the Purchaser without interest within 10 Business Days provided that the Vendors are entitled to deduct HK$400,000 from the Deposit if the non-fulfillment of the conditions precedent by the Long Stop Date is not due to the wilful default of the Vendors.

The amount of HK$400,000 was determined after arm's length negotiations between the Vendors and the Purchaser with reference to professional fees relating to the Proposed Acquisition incurred by the Vendors. Such reimbursement of HK$400,000 to the Vendors by the Purchaser will be effected only if the non-fulfillment of the conditions precedent by the Long Stop Date is not due to the willful default of the Vendors. Based on the above, the Directors consider such term is reasonable and in the interests of the Company.

Completion

Completion shall take place within 10 Business Days after the conditions precedent are fulfilled or waived (as the case may be) (or such other day as shall be agreed in writing between the parties to the Sale and Purchase Agreement).

Upon Completion, the Target Company will become 51% indirect owned subsidiary of the Company and the financial results thereof will be consolidated into the accounts of the Group.

The Completion is not subject to resumption in trading of the Shares.

Purchaser's undertaking

The Purchaser irrevocably and unconditionally undertakes to the Vendors that upon Completion, the Purchaser shall enter into the Loan Agreement with the Target Company to advance an unsecured and non-interest bearing loan in the sum of HK$10,000,000 to the Target Company as general working capital of the Target Company.

Vendors' undertaking

The Vendors irrevocably and unconditionally undertake to the Purchaser that they shall procure the Target Company not to repay the Sale Loan, declare or pay any dividends or make any distribution to the shareholders of the Target Company on or before Completion.

Shareholders' Agreement, Loan Agreement, Deeds of Assignment and Service Agreement

Pursuant to the Sale and Purchaser Agreement, the Purchaser, Ms. Chan and the Target Company shall enter into a Shareholders' Agreement which shall set out the rights and obligations of the Purchaser and Ms. Chan and the arrangements between them with respect to the ownership, management and operations of the Target Company upon Completion.

The Shareholders' Agreement shall provide that the board of directors of the Target Company shall comprise three directors, two of them shall be appointed and removed at the request of the Purchaser and one of them shall be appointed and removed at the request of Ms. Chan.

Pursuant to the terms of the Loan Agreement, the Purchaser shall agree to grant a loan in the principal amount of HK$10,000,000, which shall be drawn down once in its entire sum on the drawdown date for a term of two years (or such other date as may be agreed between the Purchaser and the Target Company) within 7 Business Days from the date of the Loan Agreement, to the Target Company. The Loan shall be used as general working capital of the Target Company.

The Purchaser and the Target Company will also enter into the Deeds of Assignment with Ms. Chan and Mr. Lai respectively for the assignment of all his/her respective rights, titles, benefits and interests in the Sale Loan to the Purchaser upon Completion.

Pursuant to the Sale and Purchase Agreement, the Service Agreement shall be entered between Dr. Lui Ngo Yin ("**Dr. Lui**"), a managing director of the Target Company, and the Target Company upon Completion. According to the terms of the Service Agreement, Dr. Lui will be appointed as the chief executive officer of the Target Company for an initial term of three years from the Completion Date. Dr. Lui is the managing director of the Target Company since Year 2010. As Dr. Lui has extensive experience in beauty and facial services and long-term management experience in the Target Company, the Directors consider the Service Agreement to be entered is in the interest of the Company.

Promissory Notes

The principal terms of the PN I and PN II are summarized below:

PN I

Parties	:	The Company, as an issuer and Ms. Chan and Mr. Lai, as payees
Principal amount	:	HK$7,000,000 as to (a) HK$2,607,843 to Ms. Chan and (b) HK$4,392,157 to Mr. Lai respectively
Interest	:	Non-interest bearing
Maturity	:	Subject to the adjustment(s) under the Profit Guarantee, the principal sum shall be repayable in one lump sum on 30 June 2014
Assignment	:	The PN I shall not be transferable and the payees shall not create any option, right to acquire, equities, claim, encumbrance, mortgage, charge, pledge, lien, third party rights whatsoever, adverse interest or other form of security on, over or affecting the PN I or any agreement or commitment to give or create any of the foregoing

PN II

Parties	:	The Company, as an issuer and Ms. Chan and Mr. Lai, as payees
Principal amount	:	HK$6,420,000 as to (a) HK$2,391,765 to Ms. Chan and (b) HK$4,028,235 to Mr. Lai respectively
Interest	:	Non-interest bearing

Maturity	:	Subject to the adjustment(s) under the Profit Guarantee, the principal sum shall be repayable in one lump sum on 30 June 2015
Assignment	:	The PN II shall not be transferable and the payees shall not create any option, right to acquire, equities, claim, encumbrance, mortgage, charge, pledge, lien, third party rights whatsoever, adverse interest or other form of security on, over or affecting the PN II or any agreement or commitment to give or create any of the foregoing

Information of the Target Company

The Target Company is a company incorporated in Hong Kong with limited liability and is beneficially owned as to 68% by Ms. Chan, 32% by Mr. Lai immediately before signing of the Sale and Purchase Agreement. The Target Company is principally engaged in the beauty and wellness services in Hong Kong and currently has a medical laser skin care centre in Hong Kong.

The Target Company operates a medical skincare centre under the trade name COLLAGEN^{+} in prime area, Causeway Bay, Hong Kong, to provide a wide range of beauty and facial services, for the sales of beauty products and for the provision of consultancy services.

Most of the medical cosmetic drugs and equipments used by the Target Company are internationally certificated by U.S. Food and Drug Administration and European CE certificate approval.

(a) Provision of therapy services

The therapy services of the Target Company can be classified into four main categories, namely, skin rejuvenation, facial contour enhancement, medical slimming and body reshape and laser hair remover. These tailor-made and personalized treatment courses are complemented with different kinds of advance technologies and equipments to cater for different customer needs.

The treatment courses include:

Services	Descriptions	Treatment courses
Skin Rejuvenation	Depigmentation	— PTP Depigmentation Laser Treatment — APG Freckles Removal Laser Treatment

Services	Descriptions	Treatment courses
	Pore refine	— ALP Pore Refinement Laser Treatment
		— STN Collagen Activated Laser Treatment
	Firming and lifting	— 3 Deep Collagen Activated RF Treatment
		— Thermage Collagen Activated Treatment
		— Botox Anti-Wrinkles Injection Treatment
		— Dysport Lift Up Injection Treatment
	Skin hydrating	— Restylane Vital Skin Hydrating & Anti Wrinkles Treatment
Facial Contour Enhancement		— Sculptra Collagen Activated Injection Treatment
		— Combined Anchor Suture with External Upper Eyelid Blepharoplasty in Korean Style
Laser Hair Remover		— TKS^{TM} Hair Removal Laser Treatment
Medical Slimming and Body Reshape	Slimming program	— R.R.F. Firming Treatment
		— UltraShape Lipolysis Treatment
		— Liposonix Non-Invasive Lipolysis Treatment

Provision of therapy services constitute the major turnover of the Target Company, which accounted for approximately 84.0% of the total turnover of the Target Company for the year ended 31 March 2012 and approximately 81.4% of the total turnover of the Target Company for the year ended 31 March 2013.

(b) Sales of beauty products

The Target Company offers variety of medical skincare products, namely "Activa" targeting health and beauty-conscious customers. There are approximately 20 types of medical and skincare products distributed by the Target Company. "Activa" is a medical skincare product of Young Pharmaceuticals Inc. ("**Young Pharmaceuticals**"), an indirect major supplier of the Target Company which was founded in 1977 as a developer of products for dispensing dermatologists. Young Pharmaceuticals supply skincare products to the Target Company mainly via from DL Laboratories Ltd. Its initial line of products included topicals for a variety of general dermatologic conditions. As ingredients became available for such indications as photoaging and hyperpigmentation, Young Pharmaceuticals applied their pharmaceutical chemistry experience to formulating a new generation of aesthetic treatments. Young Pharmaceuticals is committed to providing high-quality medical skincare products to dispensing physicians worldwide.

The sales of beauty products accounted for approximately 14.7% of the total turnover of the Target Company for the year ended 31 March 2012 and approximately 9.6% of the total turnover of the Target Company for the year ended 31 March 2013.

(c) Provision of consultancy services

Depending on the conditions of the customers and progress of their results, the Target Group provides consultants to recommend the most suitable treatments offered by the Target Company and different methods by using of different equipments.

The provision of consultancy services accounted for approximately 1.4% of the total turnover of the Target Company for the year ended 31 March 2012 and approximately 3.1% of the total turnover of the Target Company for the year ended 31 March 2013.

Business model

The Target Company is principally engaged in the provision of therapy services, the sales of beauty products and the provision of consultancy services.

(a) Provision of therapy services

Two payment methods are being adopted by the Target Company, being (i) prepaid packages of treatment courses with discount pricing for a term of two years and (ii) standard pricing for one time purchase. The Target Company promotes particular types of treatment courses by offering prepaid packages with discount pricing to customers as it enables the Target Company to build up long-term relationship with customers and enhance customer loyalty. The Target Company also accepts walk-in customers to cater for special needs of new beauty-conscious customers. The unit price of the facial and beauty services ranged from HK$900 to HK$50,000 and the slimming program ranged from HK$800 to HK$70,000.

(b) Sales of beauty products

The Target Company currently distributes the medical skincare products, namely "Activa", through its medical skincare centre at Causeway Bay. The retail prices of these medical skincare products ranged from HK$300 to HK$2,500.

(c) Provision of consultancy services

The consultants of the Target Company are involved in the implementation process and closely monitor the progress of and follow up with each customer throughout the treatment operated in the centre. The fees of the consultancy services ranged from HK$200 to HK$1,000.

(d) Customer base

The target customers of the Target Company mainly come from the medium to high-income female population including office ladies and females from upper-class society with the age group of 30 years to 49 years. The Target Company has been building up its customer base since 2010 and as at the date of this circular, the Target Company maintained customer base of approximately 4,000 headcounts. Amongst the 4,000 headcounts, approximately 1,100 customers are in the list of very important person (V.I.P.) of the Target Company. Based on the historical records of the Target Company, the 1,100 V.I.P. customer generated approximately 550 visits to medical skincare centre per month and each visit generated approximately $3,000 treatment consumption on beauty and facial treatment courses and products of the Target Company on average. According to the records of the Target Company for the three years ended 31 March 2013, approximately 20.4% of the total revenue of the Target Company was contributed from the top 50 highest spending individuals.

Expertise and experience of management

(a) Management team

The director of the Target Company, Ms. Chan, has extensive experience in the beauty and facial industry. Ms. Chan is the director and one of the founders of the Target Company. She has over 10 years of experience in the skincare and wellness industry. Prior to founding of the Target Company in 2010, Ms. Chan has established her own spa business in 2003 where she held various roles in marketing, sales and general management. Management team of the Target Company provides in-house training to frontline beauty staff to enhance its standard of service on regular basis.

(b) Professional team

The medical skincare centre stationed by the registered doctors with international medical and relevant professional qualifications. To maintain the highest standard of medical services of the Target Company, the stationed registered doctors apply rigorous assessment to the therapists on each course of treatments. The stationed registered doctors of the medical skincare centre are regularly invited to attend international seminars held by the world's largest drug companies and laser company in Hong Kong, Taiwan and Korea, such as The courses of "Hair Transplantation Workshop & Hands-on Course" and "The Upper and Lower eyelid blepharoplasty" in Korea, which held by Korean College of Cosmetic Surgery. The course of "Advanced Sculptra Expert Conference", which held by Sanofi adventis Hong Kong and Taiwan, "The Sculptra Expert Forum", which held by Sanofi adventis Hong Kong, Taiwan and Macau, The course of "A Combination of Science and Artistry", which held by Sanofi & Solta Medical and the course of "Dysport Advanced Workshop" in Korea, which held by Ipsen Hong Kong, for the exchange of the advance medical cosmetic knowledge in laser, surgery and cytological medical treatments.

All stationed therapists are needed to be trained and monitored by registered doctors and all frontline beauty staff are supervised by registered doctors and therapists.

As at the Latest Practicable Date, the numbers of employees of Target Company are as follow:

Doctor	2
Therapist	9
Consultant	4
Nurse assistant	2
Shop Manager	1
Trainer	1
Marketing manager	1
Marketing executive	2
Business development executive	1
Customer service manager	1
Customer service executive	2
Account clerk	1
Administrative executive	1
Receptionist	2
Cleanser	2

Market competition

The directors of the Target Company believe that the beauty and facial service industry is highly competitive in Hong Kong with the presence of a large number of beauty service providers in the market. The directors of the Target Company believe that the existing beauty service providers can be broadly divided two categories:

Medium to large-scale beauty service centres

There are numbers of medium to large-scale beauty service centres in Hong Kong which are locates in commercial areas (e.g. Central, Causeway Bay, Wanchai, Tsimshatsui and Mongkok). With the similar scope of services provided by the Target Company, their target customers normally come from medium to high-income female groups in Hong Kong. The directors of the Target Company consider that this category of beauty services centres are the Target Company's principal competitors since the target customers of the Target Company also come from the medium to high-income sectors.

Small-scale salons

This category of beauty service providers mainly include those small-scale local beauty salons run by sole proprietors with relatively low setting-up investment cost. These small-scale salons are usually located in shopping centres and estates with high residential population. These domestic beauty salons in Hong Kong provide limited treatments to customers due to the lack of advance equipment and technology and professionals. The customers under this category are generally price sensitive. Since the mode of operations of these beauty salons is different from that of the Target Company in terms of the variety of beauty services and target customers, the directors of the Target Company do not consider that this category of beauty service providers are key competitors of the Target Company.

Competitive strength and business strategies

(a) Established brand and customer base

The trade name COLLAGEN^{+} has established brand recognition in the market and the Target Company has maintained customer base of approximately 4,000 headcounts, of which approximately 1,100 customers are in the list of very important person (V.I.P.) of the Target Company. These V.I.P. customers have been building up brand/services loyalty with the Target Company.

(b) Marketing and promotion

In October 2012, the grand opening celebration of COLLAGEN^{+} Medical Laser Skin Care Centre, the flagship store, of the Target Company was held in Causeway Bay, Hong Kong. Actors and actresses including Mr. Simon Yam Tat Wah (任達華), Mr. Law Chung Him (羅仲謙), Ms. Joe Chen Chiau En (陳喬恩), Ms. Wang Yuen Yuen, Irene (汪圓圓) and Ms. Ma Sze Wai, Janet (馬詩慧) were attended in the opening ceremony.

The Target Company was awarded (星級亞洲企業大獎) from Hong Kong Hair & Beauty Merchants Association in 2013. The Target Company appointed Ms. Ma Kate (馬瑙), a professional model, as its first spokesperson from 2010 to 2012. To cope with the images of new medical skincare centre, the Target Company appointed Ms. Joe Chen Chiau En (陳喬恩), a famous idol in Taiwan, Hong Kong and the PRC, as its spokesperson in 2012.

(c) Service quality

The management of the Target Company targets to focus on customer-care service in year 2014 to enhance the customer satisfaction level in order to strengthen the company's interactions with current and future customers.

To overcome the competitions of medium to large-scale beauty service operators, the Target Company will take the following steps to ensure the standard of service of beauty and wellness services provided by the Target Company at high quality level.

1. to acquire more premium and advance equipment to provide wide variety treatment courses and to offer premium cosmetics products;

2. to apply systematic procedures by the management on day-to-day operations;

3. proper in-house training of professional frontline beauty staff by the existing management or recruitment of beauty staff, if necessary; and

4. strengthen the sales team to enhance customer satisfaction level.

(d) New products lines and technology

The management of the Target Company will continue to explore new unique medical skincare products and technology to maintain and bring new customers into the Target Company from the competitors.

Major customers and major suppliers

The major customers of the Target Company are the existing customers of COLLAGEN^{+} laser skincare centre.

The major suppliers of the Target Company are Dynamic Medical Technologies (Hong Kong) Ltd., being the supplier of equipments used for the treatment courses and cosmetic products during the treatments. Young Pharmaceuticals is the indirect supplier of medical skincare products who supply skincare products mainly via from DL Laboratories Ltd. Dynamic Medical Technologies (Hong Kong) Ltd. DL Laboratories Ltd. and Young Pharmaceuticals are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

Regulatory framework and licenses and permits required

There is at present no specific legislation governing the operation of medical skincare centre in respect of the Target Company's business in Hong Kong, including qualification of the employed personnel or devices used. At present, there is also no specific legislation regulating the import or sale of medical devices in Hong Kong except for those containing pharmaceutical products or radioactive substances. The Target Company is not engaged in the import or sale of medical devices containing pharmaceutical products or radioactive substances.

However, the operations of the Target Company in Hong Kong are subject to general laws and regulations, including safety-related laws and regulations, Trade Descriptions Ordinance, Import and Export Ordinance, Medical Registration Ordinance and Undesirable Medical Advertisements Ordinance. Consumers may have a right to dispute the price or quality of service if they find it unsatisfactory.

The Consumer Goods Safety Regulation

The Consumer Goods Safety Regulation (Cap 456A of the Laws of Hong Kong) requires that any warning or caution with respect to the safe keeping, use, consumption or disposal of any consumer goods must be given in both Chinese and English. Further, the warning or caution must be legible and placed in a conspicuous position on the consumer goods themselves, on any package containing the consumer goods, or be a label securely affixed to the package, or be a document enclosed within the package.

Trade Descriptions Ordinance

The Trade Descriptions Ordinance (Cap 362 of the Laws of Hong Kong) prohibits vendors of goods from providing false descriptions. Any person who in the course of any trade or business applies a false description to any goods, or supplies any goods to which a false trade description is applied, or has in his possession for sale or for any purpose of trade or manufacture any goods to which a false trade description is applied, commits an offence. Any person who imports any goods to which a false trade description is applied commits an offence, unless he proves that he did not know, had no reason to suspect and could not with reasonably diligence have found out that the goods are goods to which a false trade description is applied.

Import and Export Ordinance

The import and export of slimming and beauty products (other than pharmaceutical products and medicines as defined by the Pharmacy and Poisons Ordinance (Cap 138 of the Laws of Hong Kong) and Chinese herbal medicines specified in the Chinese Medicine Ordinance (Cap 549 of the Laws of Hong Kong)) are not subject to control under the Import and Export Ordinance (Cap 60 of the Laws of Hong Kong).

Medical Registration Ordinance

Medical practitioners are subject to Medical Registration Ordinance (Cap 161 of the Laws of Hong Kong). According to Medical Registration Ordinance, a western medicine practitioner is required to be registered with the Medical Council of Hong Kong under Medical Registration Ordinance before he is permitted to practice medicine and surgery in Hong Kong.

Undesirable Medical Advertisements Ordinance

The Undesirable Medical Advertisements Ordinance (Cap 231 of the Laws of Hong Kong) prohibits any persons to advertise any medicine, surgical appliance or treatment in relation to the correction of deformity or the surgical alteration of a person's appearance.

*Advisory Note (the "**Advisory Note**") on the Provision of Cosmetic Procedures (for beauty service providers) issued by the Department of Health*

According to the Advisory Note, some cosmetic procedures are associated with high risk of complications. Only registered medical practitioners/registered dentists are appropriately trained to identify those who are not suitable to receive such procedures, to handle complications, and to provide necessary follow-up management. As set out in the Advisory Note, such cosmetic procedures include the following:

(i) Cosmetic procedures that involve injections;

(ii) Cosmetic procedures that involve mechanical/chemical exfoliation of the skin below the epidermis;

(iii) Hyperbaric oxygen therapy; and

(iv) Dental bleaching or teeth whitening.

Financial information of the Target Company

Set out below is the audited financial information of the Target Company for the two years ended 31 March 2012 and 2013 and six months ended 30 September 2013:

	For the year ended 31 March		**For the six months ended 30 September**
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
Turnover	17,505	24,233	13,993
Gross profit	4,257	4,361	4,334
Net profit/(loss) before tax	2,410	(1,885)	478
Net profit/(loss) after tax	2,410	(1,885)	478
Net liabilities	1,262	3,147	2,669

FINANCIAL EFFECT OF THE ACQUISITION ON THE ENLARGED GROUP

Assets

As at 30 June 2013, the audited consolidated total assets of the Group amounted to approximately HK$53.8 million. Based on the unaudited pro forma financial information of the Enlarged Group as shown in Appendix V to this circular, the unaudited pro forma total assets of the Enlarged Group is approximately HK$85.3 million as if Completion could have taken place on 30 June 2013.

Liabilities

As at 30 June 2013, the audited consolidated liabilities of the Group amounted to approximately HK$51.9 million. Based on the unaudited pro forma financial information of the Enlarged Group as shown in Appendix V to this circular, the unaudited pro forma consolidated total liabilities of the Enlarged Group will be approximately HK$86.8 million as if the Completion could have taken place on 30 June 2013.

Earnings

According to the audited consolidated financial statements of the Group for the year ended 30 June 2013, the audited total comprehensive loss of the Group for the year ended 30 June 2013 amounted to approximately HK$23.6 million. Assuming that the Completion had taken place on 1 July 2012, the Enlarged Group would have an unaudited pro forma consolidated comprehensive loss of approximately HK$28.8 million as shown in Appendix V to this circular.

As shown in the unaudited pro forma consolidated statement of financial position of the Enlarged Group in Appendix V to this circular, a consolidated net liabilities of approximately HK$1.5 million will be resulted as if the Completion could have taken place on 30 June 2013. The consolidated net liabilities of the Enlarged Group is mainly attributed to the net liabilities of the Target Company. Such net liabilities position was mainly resulted from the deferred revenue recorded by the Target Company which attributed to the accrued amount of prepaid packages of treatment derived from the existing customers of the Target Company. Numbers of new measures has been adopted by the Target Company, including but not limit to, the establishment of a customer service department ("**CSD**") which focuses on customer-care of the existing customers of the Target Company to improve the sale receipts of the prepaid packages of treatment after signing of the Term Sheet. As a result of the establishment of the CSD in August 2013, the revenue of the Target Company has been improved by the contribution from the existing customers who had not visited the operation centre for more than two months according to the Target Company's records and the accrued amount of prepaid packages of treatment of the existing customers of the Target Company was reduced gradually.

Furthermore, as mentioned in the paragraph headed "Basis of the Consideration" above, the Board has reviewed the information from the unaudited management accounts of the Target Company for the three months ended 31 December 2013, the Directors remain positive that the 2014 Guaranteed Profit can be achieved. As such, the Directors are of the view that the net liabilities attributable to owners of the Target Company will be turnaround and there would not be any potential going concern issue upon the Completion.

REASONS FOR THE PROPOSED ACQUISITION

The Group is principally engaged in the development, distribution and marketing of personal care treatment and products. The Target Company is principally engaged in the provision of therapy services, sales of beauty products and provision of consultancy services.

The Target Company operates a medical skin care centre under the tradename COLLAGEN^{+} in prime area, Causeway Bay, Hong Kong, to provide a wide range of beauty and facial services, such as, skin rejuvenation, facial contour enhancement, medical slimming and body reshape and laser hair remover. The Target Company also offers variety of medical skincare products and consultancy service to its customers.

The Target Company was established and opened the medical skin care centre with the size of 3,000 square feet with 9 treatment rooms in Year 2010. In October 2012, the Target Company expanded the medical skin care centre to current location with more than 7,000 square feet. The new medical laser skin care centre has 18 treatment rooms equipped with professional premium medical equipment and technology and high-end style decoration.

The Group is operating a retail store at World Trade Centre to promote and publicise the products of "Evidens de Beauté" as a point of sale in Causeway Bay and a spa of around 2,231 square feet with the brand "Le Spa Evidens" to offer spa, facial sahos, body treatments and wellness massages services at Cubus in Causeway Bay. The Proposed Acquisition will enable the Group to strengthen and broaden its scope of professional services and technological support to its customers. Given the Target Company has a well-established client base and the trade name of the Target Company has a good reputation in the market, the Proposed Acquisition will enable the Group to strengthen and broaden its distribution network and the Proposed Acquisition will also make a better position of the Group in the beauty and facial industry. With the existing clientele of the Target Company as well as its existing revenue base, the Directors believe that the Group will be able to increase the referral base, enlarge its range and location of services especially in beauty and facial services and strengthen its market position by way of the Proposed Acquisition.

Currently, the Target Company is operating one medical skin care service center in Causeway Bay, Hong Kong. Together with the existing retail store and spa of the Group, the number of point of sales of the Group in Hong Kong would be increased to three. Synergy effect to both the Group and the Target Company is expected to result from the Proposed Acquisition as the Company (i) will be able to leverage the experience of registered doctors of the Target Company and pave its way for expansion of its personal care treatment business in the near future; and (ii) the services and products provided by the Group and the Target Company will complement to each other. The Directors also consider that the Company can, through control of the board of the Target Company, adjust the business strategy of the Target Company to be in line with the Company's overall development plans.

Immediately after Completion, the Target Company will become a 51% owned subsidiary of the Company whose results, assets and liabilities will be consolidated into the financial statements of the Company.

In light of the above, the Board is of the view that the terms of the Sale and Purchase Agreement and transactions contemplated thereunder are fair and reasonable and the Proposed Acquisition is in the interests of the Company and Shareholders as a whole.

FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Group is principally engaged in the development, distribution and marketing of personal care treatment and products. The Target Company is principally engaged in the provision of beauty and facial services, the sales of medical skincare products and the provision of consultancy services.

"Evidens de Beauté" business

The Group is currently operating a retail store at World Trade Centre to promote and publicise the products of "Evidens de Beauté" as a point of sale in Causeway Bay and a spa of around 2,231 square feet with the brand "Le Spa Evidens" to offer spa, facial sahos, body treatments and wellness massages services at Cubus in Causeway Bay.

Other than "Evidens de Beauté" products, the Group operates Mikiki shop for the sale of Blu Spa products and provision of therapy services. The Group shall keep operation of the Mikiki shop upon the expiry of the tenancy agreement on June 2014.

According to the annual report of the Company for the year ended 30 June 2013, the Group secured the exclusive distribution right of "Evidens de Beauté" with Montaigne Limited ("**Montaigne**") for an initial term of 3 years which shall be renewed automatically thereafter for a period of 1 year unless terminated by either party. The "Evidens de Beauté", a brand from France, is a luxury skincare line, the anti-aging skincare for sensitive skin. The "Le Spa Evidens" and "Evidens de Beauté" point of sale were opened in October 2012 and May 2013 respectively to promote and publicise the products of "Evidens de Beauté".

A new "Extreme" line of the "Evidens de Beauté" products, (i) The Cream; and (ii) The Serum, has been launched on market in December 2013 and the "Advanced" line have been faded out in year 2013. As the "Extreme" line is a premium product line of "Evidens de Beauté" products, the Directors expect that retail prices will be double to the existing "Advanced" line. The Group expects that the sales will be stimulated by the introduction of the new products line. As the Group is actively developing "Evidens de Beauté" product distribution business, the Group is procuring business opportunity for the distribution channel of "Evidens de Beauté" to the PRC, Macau and Taiwan.

To cope with the expansion of distribution channel in the PRC, the PRC subsidiary of the Company was established in Xian, the PRC in March 2013 and the registration of selected range of the "Evidens de Beauté" products in the PRC is in progress and pending for the provision of further information from the brand owner of "Evidens de Beauté". The Group has proposed to the brand owner of "Evidens de Beauté" to jointly operate the distribution business in the PRC.

On 12 March 2014, the Group entered into a contract with a high end fashion brand, pursuant to which the Group places the "Evidens de Beauté" products in one of the counterparty's shop for sale on consignment basis for a period of three months.

Moreover, the Group is in discussion with a renowned high fashion brand in Hong Kong for the sub-distribution of "Evidens de Beauté" products in its new concept store to be opened in Macau and certain shops in Hong Kong. The discussion is in progress and pending for the provision of further information from the brand owner including but not limited to: (i) the completion of the registration of the trademark of "Evidens de Beauté" in Macau by the brand owner; and (ii) the validation test as well as the stability test of "Evidens de Beauté" products from the brand owner.

During the past six months, the Group (i) has placed advertisements on Hong Kong luxury monthly magazines, such as Prestige and Tatler; (ii) has arranged small peer group gatherings with beauty editors to promote "Evidens de Beauté"; (iii) has sponsored Hong Kong Tatler Ball in September 2013 under the name "Evidens de Beauté"; (iv) has engaged Occasions PR & Marketing Ltd. for on-going press and media exposure of the "Evidens de Beauté" brand and to organise in-house events.

For the financial year ending 30 June 2014, the Group will continue to promote the brand and the promotion plan for the "Evidens de Beauté" products including: (i) to subscribe advertising plan with luxury monthly magazines; (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 promote and sell special box sets under "Evidens de Beauté" brandname commencing from November 2013 in order to broaden the revenue base of the Group; (v) to launch direct mailing for the periods in April 2014 and June 2014; (vi) to hold campaigns inviting Hong Kong popular celebrities promoting the new "Extreme" line of "Evidens de Beauté"; (vii) to carry out photo shooting for publicising the brand image and brand building; (viii) to launch seasonal promotions under "Evidens de Beauté" brandname and treatment privilege at Le Spa Evidens; and (ix) to launch joint promotion program with a renowned high fashion brand in Hong Kong, with effect from November 2013.

The Proposed Acquisition will enable the Group to strengthen and broaden its scope of professional services and technological support to its customers. Given the Target Company has a well-established client base and the trade name of the Target Company has a good reputation in the market, the Proposed Acquisition will enable the Group to strengthen and broaden its distribution network and will also make a better position of the Group in the beauty and facial industry. With the existing clientele of the Target Company as well as its existing revenue base, the Directors believe that the Group will be able to increase the referral base, enlarge its range and location of services especially in beauty and facial services and strengthen its market position. Synergy effect to both the Group and the Target Company is expected to result from the Proposed Acquisition as the Company (i) will be able to leverage the experience of registered doctors of the Target Company and pave its way for expansion of its personal care treatment business in the near future; and (ii) the services and products provided by the Group and the Target Company will complement to each other. The Directors also consider that the Company can, through control of the board of the Target Company, adjust the business strategy of the Target Company to be in line with the Company's overall development plans.

Currently, the Target Company is operating one medical skincare service center in Causeway Bay, Hong Kong. Together with the existing retail store and spa of the Group, the number of point of sales of the Group in Hong Kong would be increased to three. Meanwhile, the Board intends to expand its retail business by opening a new point of sale at other prime location. Given the Directors do not expect a further business expansion of the Target Company, the Directors do not expect substantial expenditure or capital requirement for the business development of the Target Company as at the Latest Practicable Date. To the best of Director's knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the Target Company has no material litigation or claims and no material contract has been entered by the Target Company.

Having considered the above business development of the Enlarged Group, the Company has entered into the second supplemental agreement on 13 February 2014 with Koffman Investment Limited as lender to increase of the loan facilities from HK$60,000,000 to up to an principal amount of HK$80,000,000 and extend the term of the loan facilities to 31 December 2014 to implement any expansion plans of the Enlarged Group.

Upon the Completion, the Enlarged Group will continue to carry out its existing business. The Proposed Acquisition will provide synergy effect to the Enlarged Group to strength and broaden (i) the scope of the professional services and the technological support to its customers; and (ii) the distribution networks, which lead to a stable income source to the Enlarged Group and an improvement on the Enlarged Group's profitability. Given the Director's positive outlook of the PRC's and local's economy and the prospect of the premium skincare industry, the Enlarged Group can maintain a sufficient level of operations or tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to the Stock Exchange to warrant the continued listing of the securities of the Company pursuant to Rule 17.26 of the GEM Listing Rules.

The following are the industry overview and the risk factors of the Target Company:

Industry overview

Beauty and facial treatment industry is one of the main service industries in Hong Kong. In the early stage of industry development, beauty salons were relatively small in scale, mostly shops either located in a shopping mall or occupying an upstairs flat. Since Hong Kong's economy took off in 1980s and general public increase the concern about personal appearance, the beauty industry has grown generally in recent years. Beauty salons in Hong Kong have been expanding in scale with diverse business types, which include large chains store, brand shops and franchise operations.

The existence of a large local market also contributed significantly to the development of the industry. Lately, there has been further development of beauty care services and cosmetic products, as well as growing popularity of newer beauty services such as nail care. Furthermore, the growing male market for beauty care and slimming treatments has opened up additional market opportunities.

With rising economic prosperity and a stronger emphasis on living standards and quality of life, the development of the beauty industry in Hong Kong has become increasingly diversified. The industry is also geared towards providing professional and comprehensive services as a result of rising standards of beauty services across the world and growing consumer expectations of their quality.

According to the key statistics from the report named "Women and man in Hong Kong — Key Statistics" prepared by Census and Statistics Department of Hong Kong (2013 Edition) (the "Census Report"), the total population of Hong Kong increased from approximately 7.00 million in 2009 to approximately 7.18 million in 2012, whereas female population in Hong Kong has increased from approximately 3.71 million in 2009 to approximately 3.82 million in 2012. In 2012, there was a total of approximately 1.35 million female population within the age group of 30–49 years. According to the Census Report, the female population with monthly employment earnings of HK$30,000 or above increased from 157,200 persons in 2009 to 212,000 persons in 2012, representing an increase of approximately 34.9%.

Risk factors

Competition

The directors of the Target Company believe that the beauty and facial service industry is highly competitive in Hong Kong with the presence of a large number of beauty service providers in the market. The directors of the Target Company believe that the existing beauty service providers can be broadly divided two categories, these are medium to large-scale beauty service centres and small-scale salons.

There are numbers of medium to large-scale beauty service centres in Hong Kong which are locates in commercial areas (e.g. Central, Causeway Bay, Wanchai, Tsimshatsui and Mongkok). With the similar scope of services provided by the Target Company, their target customers normally come from medium to high-income female groups in Hong Kong. The directors of the Target Company consider that this category of beauty services centres are the Target Company's principal competitors since the target customers of the Target Company also come from the medium to high-income sectors.

Small-scale salons of beauty service providers mainly include those small-scale local beauty salons run by sole proprietors with relatively low setting-up investment cost. These small-scale salons are usually located in shopping centres and estates with high residential population. These domestic beauty salons in Hong Kong provide limited treatments to customers due to the lack of advance equipment and technology and professionals. The customers under this category are generally price sensitive. Since the mode of operations of these beauty salons is different from that of the Target Company in terms of the variety of beauty services and target customers, the directors of the Target Company do not consider that this category of beauty service providers are key competitors of the Target Company.

Increased competition against other beauty products and services providers could result in price reduction and loss of market share, any of which could materially and adversely affect its profit margin and operating results. Competitors of the Target Company may be able to respond more rapidly to new and innovative products and services, changes in consumer spending habits, or devote greater resources to the development, promotion and sale support of their products and services.

Although standard of service of beauty and facial services provided by the Target Company maintains at high quality level, there is no assurance that the Target Company can maintain its competitive position against current and potential competitors, especially those with significantly greater financial, marketing, support, technical and other resources.

Potential litigations involve complaints and litigation from customers

The Target Company is principally engaged in the provision of beauty and facial services, the sales of medical skincare products and the provision of consultancy services. Although the Target Company has no litigation or claim from its customers up to the Latest Practicable Date, the Target Company may receive complaints and/or claims from customers for the services provided by it from time to time. The complaints and/or claims against by the Target Company may include complaints received by the Hong Kong Consumer Council, and claims filed at Hong Kong Small Claims Tribunal, Hong Kong District Court and Hong Kong High Court in respect of breach of contracts (such as dispute over nature of the service received and payment method), contents of advertisements (such as different perceptions of services or treatments provided) and personal injuries (such as allergies and pigmentation) in relation to the services provided.

Large amount of deferred revenue

For provision of beauty and facial services and slimming service, the Target Company charges customers by way of prepaid treatment packages. Revenue from the provision of such services are recognised when the services has been rendered to clients. Receipts in respect of treatment packages for which the relevant services have not been rendered are deferred and recognised as deferred revenue in the statement of financial position. The Target Company implements a contractual two-year service expiry policy under which any unutilized treatments at the end of the service period are fully recognised in the statement of profit or loss and other comprehensive income. In the event that the Target Company cannot continue to charge its customers by prepayment mode, the Target Company's operation may be adversely affected.

New regulations and requirements

There is at present no specific legislation governing the operation of medical skincare centre in respect of the Target Company's business in Hong Kong, including qualification of the employed personnel or devices used. At present, there is also no specific legislation regulating the import or sale of medical devices in Hong Kong except for those containing pharmaceutical products or radioactive substances. The Target Company is not engaged in the import or sale of medical devices containing pharmaceutical products or radioactive substances. However, the operations of the Target Company in Hong Kong are subject to general laws and regulations, including safety-related laws and regulations, Trade

Descriptions Ordinance, Import and Export Ordinance, Medical Registration Ordinance and Undesirable Medical Advertisements Ordinance. Consumers may have a right to dispute the price or quality of service if they find it unsatisfactory.

According to the latest release of The Department of Health regarding the requirements and Advisory Note regarding the provision of cosmetic procedures for beauty service providers in Hong Kong, the directors of the Target Company consider that such new requirements will only substantially affect beauty treatment services providers with no resident registered doctors and sufficient equipment to perform more complicated cosmetic procedures. As the Target Company has two full-time resident registered doctors to perform invasive cosmetic procedures if needed. The directors of the Target Company do not expect that there will be any difficulties for the Target Company to comply with such new requirements under the Advisory Note. However, if any further regulatory control on the quality of the services provided by beauty and slimming centres will be implemented for enhancement of the quality of services and protection of interests of customers or any new regulations to beauty and facial treatment, it may result in an increase in the cost of operation of the Target Company which may affect the future profitability of the Target Company.

Reliance on key personnel

The beauty and facial treatment services are heavily rely on experienced, skilled and qualified staff to provide services to its customers. These staff possesses the relevant experience, skills and qualification in delivering the required services and value of Target Company to its customers. Without sufficient number of experienced staff, the Target Company will be hindered in pursuing its expansion strategy and its business and profit may be harmed.

Reliance on reputation in the industry

The beauty and facial treatment industry is heavily reliance on the recognition of brandname and its reputation in the industry. Any deficiency of the brandname caused by the litigation claims or complaints from its customers may lead to loss customer loyalty.

Further capital and financing requirements

As at 31 January 2014, the Enlarged Group has the outstanding borrowing from (i) Koffman Investment Limited, of which Mr. Yu Zhen Hua, Johnny an executive Director and the chairman of the Group, of approximately HK$52,580,000, which is unsecured, bearing interest of 12% per annum and repayable on 31 December 2014; (ii) Ms. Chan, one of the Vendors, of approximately HK$1,387,000, which is non-interest bearing, unsecured and repayable on demand; (iii) Dr. Lo Shing Kei, an independent third party of the Enlarged Group, of HK$1,400,000 which is non-interest bearing, unsecured and repayable on demand; and (iv) the obligation under finance leases of approximately HK$27,000 and HK$967,000 of the Group and the Target Company respectively, which is secured by the leased assets acquired and interest-bearing. As at 31 January 2014, the Group has cash and cash equivalents of approximately HK$1.4 million. To cope with the above outstanding borrowings and the capital requirements for the operations of the Enlarged Group, the

Company relies on (i) the cashflow of the Enlarged Group; (ii) the loan facility of up to HK$80,000,000 from Koffman Investment Limited; (iii) the net proceeds from the subscription of convertible bonds in principal amount of HK$40,000,000 to be issued by the Company to New Cove Limited; and (iv) an unsecured loan in the principal amount of HK$40,000,000 from Hong Kong Builders Finance Limited, an indirect wholly owned subsidiary of Eternity.

If the Company is unable to obtain sufficient capital in a timely and cost effective manner, the business of the Enlarged Group may not be able to grow as planned or at all, and its financial condition and results of operations could be materially and adversely affected.

Future financing obligations arising from settlement of the Consideration

Pursuant to the Sale and Purchase Agreement, the Purchaser has paid or will paid HK$2,000,000 to the Vendors in cash upon signing the Sale and Purchase Agreement; (ii) HK$6,000,000 to the Vendors in cash upon Completion; and (iii) HK$ HK$7,000,000 by PN I to the Vendors; and (iv) HK$6,420,000 by PN II to the Vendors. The Consideration has been and will be satisfied by additional loan facilities of up to HK$80,000,000 million granted by Koffman Investment Limited.

Upon Completion, the Company will issue the PN I in the principal amount of HK$7,000,000 due on 30 June 2014 and PN II in the principal amount of HK$6,420,000 due on 30 June 2015. If the Company is unable to obtain sufficient capital for the payment of the PN I and the PN II in a timely, the Company may require further financing, including but not limit to debt financing and/or equity financing, to satisfy the PN I and the PN II.

LISTING RULES IMPLICATION

The Proposed Acquisition constitutes a very substantial acquisition for the Company pursuant to Rule 19.06(5) of the GEM Listing Rules and is therefore subject to the Shareholders' approval at the EGM by way of voting by poll. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Proposed Acquisition which is different from other Shareholders, and therefore no Shareholder is required to abstain from voting on the relevant resolution to be proposed at the EGM in relation to the Proposed Acquisition. If the Vendors and their respective associates hold any Shares on the date of the EGM, they will be required to abstain from voting on the relevant resolution to be proposed at the EGM in relation to the Proposed Acquisition.

On 7 February 2014, the Company received a letter (the "**Letter**") from the Stock Exchange which stated that it allows trading resumption of the Company's shares subject to satisfying the following conditions by 30 April 2014: (a) completion of the Proposed Acquisition; (b) inclusion in the shareholder circular: (i) profit forecasts for the years ending 30 June 2014 and 2015 on the enlarged group (the "**Profit Forecasts**") together with reports from the Company's auditors and financial adviser under paragraph 29(2) of Appendix 1B; and (ii) a statement from the directors confirming working capital sufficiency for at least 12 months after resumption and a comfort letter from the auditors on the directors' statement; and (c) provision of a confirmation from an independent professional firm that the Company has adequate internal control systems. The Stock Exchange may modify the above resumption conditions if the Company's situation changes.

In 2013, the Company engaged independent professional firm to conduct internal control review of the Group to demonstrate that the Group has adequate internal control system to meet the obligations under GEM Listing Rules. On 18 February 2014, the Company received a written confirmation from the independent professional firm to confirm that during the course of their review of the Company's internal control procedures, nothing has come to their attention to indicate that the Group had significant deficiency for its internal control procedures as of 5 September 2013. Furthermore, the Profit Forecasts together with reports from the Company's auditors and financial adviser under paragraph 29(2) of Appendix IB have been included in Appendix VI of this circular.

As at the Latest Practicable Date, the Board expects that the acquisition of the Target Company will be completed on or before 17 April 2014.

Save for condition (a) as mentioned in the Letter, conditions (b) and (c) have been satisfied. Reference is made to the announcement of the Company dated 21 March 2013 and 30 October 2013 and the circular of the Company dated 23 May 2013 (the "**Circular**") in relation to, among other matters, (i) the subscription (the "**Subscription**") of the convertible bonds (the "**Subscription Agreement**") of the Company entered into between the Company and New Cove Limited, an indirect wholly-owned subsidiary of Eternity in the principal amount of HK$40 million (the "**Convertible Bonds**") and the extension of the Subscription; and (ii) the loan agreement (the "**HK Builders Loan Agreement**") entered into between the Company and Hong Kong Builders Finance Limited, an indirect wholly-owned subsidiary of Eternity in the principal amount of HK$40 million (the "**HK Builders Loan**") and the extension of the HK Builders Loan.

According to the terms and conditions precedent of the Subscription Agreement which is extracted from the Circular, the completion of the 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 and/or other applicable laws and regulations approving separately at the general meeting of the Company (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 the whitewash waiver;

(b) the GEM Listing Committee 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 Hong Kong Code on Takeovers and Mergers) 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 Eternity in relation to the Subscription Agreement and the transactions contemplated thereunder in compliance with Chapter 14 of the Listing Rules;

(f) the granting of the whitewash waiver by the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such executive director; and

(g) the reorganize the capital of the Company, which involves the capital reduction and the capital consolidation (the "**Capital Reorganisation**") having become effective.

As at the Latest Practicable Date, the conditions precedent (b), (c) and (g) have not been satisfied.

According to the terms and conditions of the HK Builders Loan Agreement, the HK Builders Loan Agreement is conditional upon the fulfilment of the following conditions:

(a) completion of the Subscription Agreement;

(b) the publication of an announcement of the Eternity in relation to the Subscription Agreement and the HK Builders 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 then independent Shareholders who are allowed to vote under the GEM Listing Rules, The Hong Kong Code on Takeovers and Mergers and/or other applicable laws and regulations approving at the general meeting of the Company the HK Builders Loan Agreement and the transaction contemplated thereunder.

As at the Latest Practicable Date, the conditions precedent (a) has not been satisfied.

The following shareholding structure of the Company, (i) as at the Latest Practicable Date; (ii) after completion of the Capital Reorganisation but before the full exercise of the conversion rights attaching to the Convertible Bonds; and (iii) after completion of the Capital Reorganisation and the full exercise of the conversion rights attaching to the Convertible Bonds are as follows (assuming there being no other change in the share capital of the Company) (for illustration purposes only), is also extracted from the Circular for reference.

Shareholders	At the Latest Practicable Date		After completion of the Capital Reorganisation but before the full exercise of the conversion rights attaching to the Convertible Bonds		After completion of the Capital Reorganisation and the full exercise of the conversion rights attaching to the Convertible Bonds	
	Share	*Approx.*	*Share*	*Approx.*	*Share*	*Approx.*
The Directors						
Wang Xiaofei *(Note 1)*	230,400,000	17.56%	2,304,000	17.56%	2,304,000	4.34%
Du Juanhong *(Note 2)*	106,580,000	8.12%	1,065,800	8.12%	1,065,800	2.01%
Eternity and its connected person *(Note 3)*					40,000,000	75.30%
Public Shareholders	975,220,000	74.32%	9,752,200	74.32%	9,752,200	18.35%
Total:	1,312,200,000	100.00%	13,122,000	100.00%	53,122,000	100.00%

Notes:

1 Mr. Wang Xiaofei is a substantial shareholder and an executive Director.

2 Mr. Du Juanhong is a non-executive Director.

3 For illustration purposes only. Pursuant to the terms of the Convertible Bonds, the conversion rights attaching to the Convertible Bonds may be exercised provided that the Company will maintain the public float in compliance with the GEM Listing Rules.

As at the Latest Practicable Date, the Company was informed that Eternity intends to convert not less than HK$25 million of the Convertible Bonds to become a controlling shareholder of the Company and to designate a majority of the directors to the Board upon the fulfillment of all the terms and conditions precedent as set out in the Subscription Agreement. However, no candidates have been selected by Eternity as at the Latest Practicable Date.

As the Proposed Acquisition will be completed on or before 17 April 2014, the Board expects that the terms and conditions under the Subscription Agreement and the HK Builders Loan Agreement will be satisfied on or before 30 June 2014.

As at the Latest Practicable Date, the Company, the Directors (including any proposed directors) and Eternity do not have any present agreement, arrangement, intention, negotiation and/or plan about any acquisition, disposal of company or assets, and/or to carryout a principal business other than the existing business of the Company (whether concluded or not) within 24 months after resumption of trading in the Company's securities.

As at the Latest Practicable Date, Eternity has no intention or plan to dispose of its interests in the Company upon conversion of Eternity's Convertible Bonds within 24 months after resumption of trading in the Company's securities. None of the Directors (including any proposed directors) have expressed an intention to leave the Board at the time of resumption of trading in the Company's securities.

As mentioned in the paragraph headed "Listing Rules Implication" above, the Company had entered into the Subscription Agreement with New Cove Limited, an indirect wholly-owned subsidiary of Eternity, pursuant to which New Cove Limited had principally agreed to subscribe the Convertible Bonds and was informed by Eternity its intention to convert not less than HK$25 million of the Convertible Bonds upon fulfillment of all the terms and conditions precedent as set out in the Subscription Agreement. Taking into account the broaden of the capital base by the conversion of not less than HK$25 million of the Convertible Bonds from Eternity and the expectation of turnaround of the net liabilities position of the Target Company, the Directors are of the view that, the Enlarged Group would be in a net asset position upon the resumption of the trading of the Company's shares.

Furthermore, as announced by the Company on 19 March 2014, the Company is under negotiation with Eternity for the grant of a new loan (the "**New Loan**") of the principal amount up to HK$30,000,000 for general working capital purpose and/or financing the future finance obligations arising from settlement of the Consideration as mentioned above. As at the Latest Practicable Date, no agreement has been entered into between the Company and Eternity. In the event that any agreements in respect of the grant of the New Loan is entered into by the Company, the Company will comply with the GEM Listing Rules.

Shareholders and potential investors are reminded that the completion of the Proposed Acquisition is subject to the satisfaction (or waiver, where applicable) of various conditional precedents under the Sale and Purchase Agreement on or before the Long Stop Date and therefore the Proposed Acquisition may or may not take place. Shareholders and potential investors are also reminded that the issue of this circular does not necessary imply that trading in Shares will be resumed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

Trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on 30 September 2011 and shall remain suspended until further notice.

EGM

A notice convening the EGM to be held at 3/F, Woo Sing Kee Industrial Building, 138 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong on Tuesday, 8 April 2014 at 11:30 a.m. is set out on pages 193 to 195 of this circular. Ordinary resolutions will be proposed at the EGM to approve the Proposed Acquisition.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the proxy shall be deemed to be revoked.

The resolution(s) proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

RECOMMENDATION

The Directors believe that the Proposed Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all resolutions to be proposed at the EGM.

GENERAL

Detailed information relating to the financial information of the Group and the Target Company are disclosed in the appendices to this circular.

If, during the period of the Profit Forecasts made by the Company, (a) an event occurs which, had it been known when the Profit Forecasts was made, would have caused any of the assumptions upon which the Profit Forecasts is based to have been materially different; or (b) profit or loss is generated by some activity outside the Company's ordinary and usual course of business (which was not disclosed as anticipated in this circular) and which materially contributes to or reduces, or is likely to materially contribute to or reduce, the profits for such period, the Company will must promptly announce by way of an announcement the event and relevant details pursuant to Rule 17.26A of the GEM Listing Rules.

Yours faithfully
For on behalf of the Board of
EDS Wellness Holdings Limited
Yu Zhen Hua Johnny
Chairman

1. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited statement of financial position together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group for each of the three years ended 30 June 2013 can be referred to the annual reports of the Company for the years ended 30 June 2011 (pages 41 to 103), 30 June 2012 (pages 37 to 108) and 30 June 2013 (pages 47 to 119) respectively.

The unaudited consolidated financial statements of the Group for the six months ended 31 December 2013 can be referred to the interim report of the Company for the six months ended 31 December 2013 (pages 1 to 4).

The abovementioned financial information has been published on both the websites of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://www.eds-wellness.com/). The auditors of the Company have issued a disclaimer of opinions on the Group's financial statements for the three financial years ended 30 June 2013 and for the six months ended 31 December 2013.

2. AUDITORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

The following paragraphs extracted from the independent auditors' report on the Group's financial statement for the year ended 30 June 2013.

BASIS FOR DISCLAIMER 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 uncertainty 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 cause 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.

3. AUDITORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

The following paragraphs extracted from the independent auditors' report on the Group's Financial statement for the year ended 30 June 2012.

BASIS FOR DISCLAIMER OF OPINION

(1) Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 30 June 2011 (the "**2011 Financial Statements**"), which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitation on the scope of our audit and the material uncertainty in relation to going concern, details of which are set out in our independent auditors' report dated 8 June 2012. Accordingly, we were unable to form an opinion as to whether the 2011 Financial Statements gave a true and fair view of the state of affairs of the Group and of the Company at 30 June 2011 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

(2) Scope limitation — Investments 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 (the "**BSHK**") and its subsidiaries (the "**BSHK Group**"), Clapton Holdings Limited, Blu Spa International Limited and Blu Spa Management Services Limited (collectively referred to as the "**Unconsolidated Subsidiaries**"). 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 2012.

The resulting gain on de-consolidation of the Unconsolidated Subsidiaries of approximately HK$155,547,000 has been recognised in the consolidated statement of comprehensive income of the Group for the year ended 30 June 2012.

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 2012 under these circumstances, the exclusion of the financial position, results and cash flows of these 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".

Due to lack of complete books and records of the Unconsolidated Subsidiaries, we have not been able to obtain sufficient appropriate audit evidence and explanations to determine whether the carrying values of the investments in the Unconsolidated Subsidiaries and the resulting gain on de-consolidation of the Unconsolidated Subsidiaries were fairly stated. 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 2012 and the loss and cash flows of the Group for the year ended 30 June 2012.

(3) Scope of limitation — Balances with the Unconsolidated Subsidiaries

As further explained in note 2 to the consolidated financial statements, the Group recorded amounts due from and amounts due to the Unconsolidated Subsidiaries of approximately HK$288,303,000 and HK$6,246,000 respectively at 30 June 2012. The Company also recorded amounts due from the Unconsolidated Subsidiaries of approximately HK$285,268,000 at 30 June 2012 (collectively referred as to the "**Balances with the Unconsolidated Subsidiaries**"). The directors of the Company are of the view that the carrying values of certain amounts due from the Unconsolidated Subsidiaries to the Group and the Company are not recoverable and recognised impairment losses of approximately HK$240,593,000 and HK$74,291,000 for the year ended 30 June 2012 respectively.

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 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 fairly stated. 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 2012 and the loss of the Group for the year ended 30 June 2012.

(4) Material uncertainty relating to the Investigation

As disclosed in note 2 to the consolidated financial statements, the Company made an announcement on 18 July 2012 in respect of the appointment of an independent professional firm to conduct a forensic investigation to address (i) all the issues raised by the predecessor auditors in their resignation letter dated 7 March 2012; and (ii) all the issues raised in our independent auditors' report dated 8 June 2012 on the 2011 Financial Statements (the "**Investigation**"). Up to the date of this report, the board of directors of the Company is still in the midst of considering the findings of the Investigation. Accordingly, there were no practical audit procedures that we could perform to ascertain the completeness, validity and accuracy of the transactions asserted to have been undertaken by the Unconsolidated Subsidiaries. Any adjustments or disclosures that might have been found to be necessary would have a consequential significant effect on the accounting treatments adopted by the Group in respect of those transactions, the opening balances and prior period corresponding amounts and the related disclosures thereof in the Group's consolidated financial statements.

(5) Material uncertainties relating to the going concern basis

As disclosed in note 2 to the consolidated financial statements, the Group incurred a loss attributable to the owners of the Company of approximately HK$100,389,000 for the year ended 30 June 2012, which indicates the existence of a material uncertainty and 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 amounts due from the Unconsolidated Subsidiaries of approximately HK$47,710,000; and (ii) the extension of repayment of loan facility of approximately HK$19,586,000 granted by a company owned by an executive director (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, 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 material uncertainty relating to the going concern.

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 as to whether they give a true and fair view of the state of affairs of the Company and of the Group at 30 June 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Report on Matters under sections 141(4) and 141(6) of the Hong Kong Companies Ordinance

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding items 1 to 4 above mentioned:

— we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

— we were unable to determine whether proper books of account had been kept.

4. AUDITORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011

The following paragraphs extracted from the independent auditors' report on the Group's financial statement for the year ended 30 June 2011.

BASIS FOR DISCLAIMER OF OPINION

(1) Scope limitation — Inventories

We were not appointed as auditors of the Company until after 30 June 2011 and thus did not observe the counting of the Group's physical inventories at the beginning and end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 30 June 2010 and 30 June 2011 which are stated in the consolidated statement of financial position at approximately HK$450,000 and HK$975,000, respectively. As a result, we were unable to determine whether any adjustments might have been found necessary in respect of recorded and unrecorded inventories, and the elements making up the consolidated statement of comprehensive income and the consolidated statement of financial position.

(2) Scope limitation — Revenue and trade receivables

(a) Included in the consolidated statement of comprehensive income for the year ended 30 June 2011 was revenue of approximately HK$42,691,000 arising from sales to a distributor of the Group (the "**Distributor**"), revenue of approximately HK$2,107,000 arising from sales to a customer of the Group ("**Customer A**") and revenue of approximately HK$1,007,000 arising from sales to another customer of the Group ("**Customer B**"). Included in "**Trade receivables**" in the consolidated statement of financial position at 30 June 2011 was trade receivable of approximately HK$114,411,000 due from the Distributor (the "**Distributor Receivable**"), trade receivable of approximately HK$2,107,000 due from Customer A (the "**Customer A Receivable**") and trade receivable of approximately HK$1,007,000 due from Customer B (the "**Customer B Receivable**"), all of which remained outstanding up to the date of this report. Impairment losses in respect of the entire amounts of the Distributor Receivable, Customer A Receivable, Customer B Receivable at 30 June 2011 were recognised in profit or loss during the year ended 30 June

2011. We were unable to obtain sufficient appropriate audit evidence regarding the above sales to the Distributor, Customer A and Customer B and the Distributor Receivable, Customer A Receivable and Customer B Receivable because: (i) there was inadequate documentary evidence available for us to verify the identities of the Distributor, Customer A and Customer B and the delivery of the related products; (ii) we were unable to carry out any effective confirmation procedures in relation to the above sales to the Distributor, Customer A and Customer B and the Distributor Receivables, Customer A Receivable and Customer B Receivable for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment losses recognised in respect of the Distributor Receivable, Customer A Receivable and Customer B Receivable were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the above sales transactions and the Distributor Receivable, Customer A Receivable and Customer B Receivable were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's net assets at 30 June 2011, its revenue and consequently net loss for the year ended 30 June 2011, and the related disclosures thereof in the consolidated financial statements.

(b) Included in the consolidated statement of comprehensive income for the year ended 30 June 2011 was revenue of approximately HK$3,054,000 arising from sales to another customer of the Group ("**Customer C**"). Included in "Trade receivables" in the consolidated statement of financial position at 30 June 2011 was trade receivable of approximately HK$3,054,000 due from Customer C (the "**Customer C Receivable**"). We were unable to obtain sufficient appropriate audit evidence regarding the above sales to Customer C and the Customer C Receivable because: (i) there was inadequate documentary evidence available for us to verify the identity of Customer C and the delivery of the related products; (ii) we were unable to carry out any effective confirmation procedures in relation to the above sales to Customer C and the Customer C Receivable for the purpose of our audit; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the above sales transactions and the Customer C Receivable were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's net assets at 30 June 2011, its revenue and consequently net loss for the year ended 30 June 2011, and the related disclosures thereof in the consolidated financial statements.

(3) Scope limitation — Deposits and advances in relation to the formation of a joint venture

(a) Included in "Deposits, prepayments and other receivables" in the consolidated statement of financial position at 30 June 2010 and 30 June 2011 were refundable deposits totaling HK$25,000,000 (the "**JV Deposits**") which were paid by the Group to the other joint venturer during the year ended 30 June 2010 in relation to the formation of the Group's joint venture, namely 北京中成金豐醫療科技有限公司 (the "**JV**"). The results of our searches made with public registry indicated that the other joint venturer was wholly owned by the sole shareholder of the Distributor. An impairment loss in respect of the entire amount of the JV Deposits at 30 June 2011 was recognised in profit or loss during the year ended 30 June 2011.

(b) Also included in "**Deposits, prepayments and other receivables**" in the consolidated statement of financial position at 30 June 2010 and 30 June 2011 was an advance of HK$1,000,000 paid by the Group to an entity during the year ended 30 June 2010 for the purpose of settlement of preliminary expenses to be incurred in relation to the formation of the JV (the "**JV Expense Advance**"). An impairment loss in respect of the entire amount of the JV Expense Advance was recognised in profit or loss during the year ended 30 June 2011.

We were unable to obtain sufficient appropriate audit evidence regarding the JV Deposits and the JV Expense Advance because (i) there was inadequate documentary evidence available for us to verify the manner in which the JV Deposits and the JV Expense Advance had been utilised; (ii) we were unable to carry out any effective confirmation procedures in relation to the JV Deposits and the JV Expense Advance for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment losses recognised in respect of the JV Deposits and the JV Expense Advance were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the JV Deposits and the JV Expense Advance were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's net assets at 30 June 2011, its net loss for the year ended 30 June 2011, and the related disclosures thereof in the consolidated financial statements.

(4) Scope limitation — Deposit for License Fee

Included in "**Deposits, prepayments and other receivables**" in the consolidated statements of financial position at 30 June 2010 and 30 June 2011 was a deposit for license fee of HK$4,000,000 which remained outstanding up to the date of this report (the "**License Fee Deposit**"). An impairment loss in respect of the entire amount of the License Fee Deposit at 30 June 2011 was recognised in profit or loss during the year ended 30 June 2011. We were unable to obtain sufficient appropriate audit evidence regarding the License Fee Deposit because (i) there was inadequate documentary evidence available for us to verify the identity of recipient of the License Fee Deposit; (ii) there was inadequate documentary evidence available for us to verify the manner in which the License Fee Deposit had been utilised; (iii) we were unable to carry out any effective confirmation procedures in relation to the License Fee Deposit for the purpose of our audit; (iv) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment loss recognised in respect of the License Fee Deposit was appropriate; and (v) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the License Fee Deposit was free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's net assets at 30 June 2011, its net loss for the year ended 30 June 2011, and the related disclosures thereof in the consolidated financial statements.

(5) Scope limitation — Deposit paid to a contractor

Included in "**Deposits, prepayments and other receivables**" in the consolidated statement of financial position at 30 June 2011 was a deposit of HK$2,500,000 paid by the Group to a contractor for decoration of a training centre proposed to be operated by the Group in the name of 廣州市花都區富麗花譜職業培訓學校 (the "**Contractor Deposit**"). An impairment loss in respect of the entire amount of the Contractor Deposit at 30 June 2011 was recognised in profit or loss during the year ended 30 June 2011. We were unable to obtain sufficient appropriate audit evidence regarding the Contractor Deposit because (i) there was inadequate documentary evidence available for us to verify the identity of the contractor and the manner in which the Contractor Deposit had been utilised; (ii) we were unable to carry out any effective confirmation procedures in relation to the Contractor Deposit for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment loss recognised in respect of the Contractor Deposit was appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Contractor Deposit was free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's net assets at 30 June 2011, its net loss for the year ended 30 June 2011, and the related disclosures thereof in the consolidated financial statements.

(6) Scope limitation — Prepayments to suppliers

(a) Included in "**Deposits, prepayments and other receivables**" in the consolidated statement of financial position at 30 June 2011 were prepayments totaling approximately HK$12,050,000 paid by the Group to four suppliers for purchases of equipment and inventories (the "**2011 Suppliers' Prepayment**"). An impairment loss in respect of the entire amount of the 2011 Suppliers' Prepayment at 30 June 2011 was recognised in profit or loss during the year ended 30 June 2011. We were unable to obtain sufficient appropriate audit evidence regarding the 2011 Suppliers' Prepayment because (i) there was inadequate documentary evidence available for us to verify the identities of these suppliers and the manner in which the 2011 Suppliers' Prepayment had been utilised; (ii) there was no satisfactory explanation and sufficient appropriate audit evidence provided to us to explain and verify the reason for the cash cheques issued by the Group totaling HK$5,215,000 for the settlement of the 2011 Suppliers' Prepayment; (iii) there was no satisfactory explanation and sufficient appropriate audit evidence provided to us to explain and verify the reason for the cash paid by the Group totaling HK$6,835,000 being transacted through intermediates for the settlement of the 2011 Suppliers' Prepayment; (iv) we were unable to carry out any effective confirmation procedures in relation to the 2011 Suppliers' Prepayment for the purpose of our audit; (v) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment loss recognised in respect of the 2011 Suppliers' Prepayment was appropriate; and (vi) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the 2011 Suppliers' Prepayment were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's net assets at 30 June 2011, its net loss for the year ended 30 June 2011, and the related disclosures thereof in the consolidated financial statements.

(b) Included in "**Deposits, prepayments and other receivables**" in the consolidated statement of financial position at 30 June 2010 were prepayments totaling approximately HK$27,016,000 paid by the Group to 3 suppliers (the "**2010 Suppliers**") for purchases of inventories and prepayment of packaging costs, of which an amount of approximately HK$2,068,000 and HK$1,360,000 were recognised as "**Cost of Sales**" and expensed as selling and distribution costs respectively for the year ended 30 June 2011. The Group further paid an amount of HK$550,000 to the 2010 Suppliers during the year and the balance of approximately HK$24,138,000 remained in prepayments at 30 June 2011 (the "**2010 Suppliers' Prepayments**"). Subsequent to the year ended date, an amount of approximately HK$60,000 have been settled by delivery of inventories up to the date of this report. We were unable to obtain sufficient appropriate audit evidence regarding the 2010 Suppliers' Prepayments because (i) there was inadequate documentary evidence available for us to verify the identities of the 2010 Suppliers and the manner in which the 2010 Suppliers' Prepayments had been utilised; (ii) there was no satisfactory explanation and sufficient appropriate audit evidence provided to us to explain and verify the reason for the cash cheques issued by the Group totaling HK$400,000 for the settlement of the 2010 Suppliers' Prepayments; (iii) there was no satisfactory explanation and sufficient appropriate audit evidence provided to us to explain and verify the reason for the cash paid by the Group totaling HK$150,000 being transacted through an intermediate for the settlement of the 2010 Suppliers' Prepayments; (iv) we were unable to carry out any effective confirmation procedures in relation to the 2010 Suppliers' Prepayments for the purpose of our audit; (v) there was no sufficient appropriate audit evidence to assess whether the 2010 Suppliers' Prepayments could be recovered in full or to determine the amount of impairment and (vi) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the 2010 Suppliers' Prepayments were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's net assets at 30 June 2011, its net loss for the year ended 30 June 2011, and the related disclosures thereof in the consolidated financial statements.

(7) Scope limitation — Prepayment to a law firm

Included in "**Deposits, prepayments and other receivables**" in the consolidated statement of financial position at 30 June 2010 and 30 June 2011 was prepayment of approximately HK$1,050,000 paid by the Group to a law firm in Hong Kong (the "**Legal Fee Prepayment**") in relation to legal fees incurred on behalf of two entities which appeared to be related to the Group. An impairment loss in respect of the entire amount of the Legal Fee Prepayment was recognised in profit or loss during the year ended 30 June 2011. We were unable to obtain sufficient appropriate audit evidence regarding the Legal Fee Prepayment because (i) there was inadequate documentary evidence available for us to verify the identity of this law firm and the manner in which the Legal Fee Prepayments had been utilised; (ii) we were unable to carry out any effective confirmation procedures in relation to the Legal Fee Prepayments for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment loss recognised in respect of the Legal Fee Prepayment was appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Legal Fee Prepayment was free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's net assets at 30 June 2011, its net loss for the year ended 30 June 2011, and the related disclosures thereof in the consolidated financial statements.

(8) Scope limitation — Prepayments to the Distributor

Included in "**Deposits, prepayments and other receivables**" in the consolidated statement of financial position at 30 June 2010 was prepayments of approximately HK$6,200,000 paid by the Group to the Distributor (the "**Distributor Prepayment**"), of which an amount of HK$4,800,000 was expensed as selling and distribution costs for the year ended 30 June 2011 and the balance of HK$1,400,000 remained in prepayments at 30 June 2011. An impairment loss in respect of the entire amount of the Distributor Prepayment amounting to HK$1,400,000 at 30 June 2011 was recognised in profit or loss during the year ended 30 June 2011. We were unable to obtain sufficient appropriate audit evidence regarding the Distributor Prepayment because (i) there was inadequate documentary evidence available for us to verify the identity of Distributor and the manner in which the Distributor Prepayments had been utilised; (ii) we were unable to carry out any effective confirmation procedures in relation to the Distributor Prepayments for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment loss recognised in respect of the Distributor Prepayment was appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Distributor Prepayment was free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's net assets at 30 June 2011, its net loss for the year ended 30 June 2011, and the related disclosures thereof in the consolidated financial statements.

(9) Scope limitation — Loan receivable

Included in "**Deposits, prepayments and other receivables**" in the consolidated statement of financial position at 30 June 2011 was loan receivable of HK$5,000,000 due from an entity unrelated to the Group (the "**Loan**"). An impairment loss in respect of the entire amount of the Loan at 30 June 2011 was recognised in profit or loss during the year ended 30 June 2011. We were unable to obtain sufficient appropriate audit evidence regarding the Loan because (i) there was inadequate documentary evidence available for us to verify the identity of this entity; (ii) we were unable to carry out any effective confirmation procedures in relation to the Loan for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment loss recognised in respect of the Loan was appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Loan was free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's net assets at 30 June 2011, its net loss for the year ended 30 June 2011, and the related disclosures thereof in the consolidated financial statements.

(10) Scope limitation — Deposits from customers

Included in "**Deposits from customers**" in the consolidated statement of financial position at 30 June 2011 were deposits from customers amounting to approximately HK$4,446,000. We were unable to obtain sufficient appropriate audit evidence regarding these deposits from customers because (i) there was inadequate documentary evidence available for us to verify the validity, accuracy and completeness of these deposits; and (ii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether these deposits from customers were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's net assets at 30 June 2011, its net loss for the year ended 30 June 2011, and the related disclosures thereof in the consolidated financial statements.

(11) Scope limitation — Purchases from a supplier in Canada

Included in "**Cost of sales**" in the consolidated statement of comprehensive income for the year ended 30 June 2011 were purchases of finished goods of approximately HK$3,954,000 from a supplier in Canada (the "**Canadian Supplier**"). We were unable to obtain sufficient appropriate audit evidence regarding the purchase transactions with the Canadian Supplier because: (i) there was inadequate documentary evidence available for us to verify the identity of the Canadian Supplier and the delivery of related products; (ii) there was no satisfactory explanation and sufficient appropriate evidence provided to us to explain and verify the reason for the cash cheques issued by the Group totaling HK$3,954,000 for the settlement of the purchase transactions with the Canadian Supplier; (iii) we were unable to carry out any effective confirmation procedures in relation to the purchase transactions with the Canadian Supplier for the purpose of our audit; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the above purchase transactions with the Canadian Supplier were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's net assets at 30 June 2011, its net loss for the year ended 30 June 2011, and the related disclosures thereof in the consolidated financial statements.

(12) Scope limitation — Purchases from a supplier in Beijing

Included in "**Deposits, prepayments and other receivables**" in the consolidated statement of financial position at 30 June 2010 were prepayment to a supplier in Beijing (the "**Beijing Supplier**") for beauty equipment of approximately HK$12,200,000 (the "**Beijing Supplier Prepayment**") and the entire of the Beijing Supplier Prepayment was recognised as "Cost of sales" in the consolidated statement of comprehensive income for the year ended 30 June 2011. We were unable to obtain sufficient appropriate audit evidence regarding the purchase transactions with the Beijing Supplier because: (i) there was inadequate documentary evidence available for us to verify the identity of the Beijing Supplier and the delivery of related products; (ii) we were unable to carry out any effective confirmation procedures in relation to the purchase transactions and the Beauty Equipment Prepayment with the Beijing Supplier for the purpose of our audit; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the above purchase transactions and the Beijing Supplier Prepayment were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's net assets at 30 June 2011, its net loss for the year ended 30 June 2011, and the related disclosures thereof in the consolidated financial statements.

(13) Scope limitation — Deconsolidation of subsidiaries

As further explained in notes 3 and 32 to the consolidated financial statements, the directors of the Company were unable to obtain sufficient documentary information to satisfy themselves regarding the ownership and control over two entities, namely 珠海富麗花化妝品有限公司 ("**珠海富麗花**") and 北京富麗花譜美容有限公司 ("**北京富麗花**"). In addition, the directors of the Company also have not been able to access to the books and records. Both 珠海富麗花 and 北京富麗花were included in the consolidated financial statements of the Group for the year ended 30 June 2010. Due to the insufficiency in accounting information of 珠海富麗花 and 北京富麗花, the financial statements of 珠海富麗花 and 北京富麗花 have not been consolidated in the Group's consolidated financial statements for the year ended 30 June 2011. The resulting loss on deconsolidation of approximately HK$135,000 has been recognised in profit or loss in the consolidated statement of comprehensive income for the year ended 30 June 2011.

Due to the lack of complete books and records of 珠海富麗花 and 北京富麗花 we have not been able to obtain sufficient appropriate audit evidence to verify the appropriateness of the accounting treatment of 珠海富麗花 and 北京富麗花 and the loss on the deconsolidation thereon. Any adjustments that might have been found necessary may have an effect on the Group's assets, liabilities and net loss for the year ended 30 June 2011 and the related disclosures thereof in the consolidated financial statements.

(14) Scope limitation — Events after the reporting period

We were unable to obtain sufficient appropriate audit evidence regarding the events after the reporting period because: (i) there was inadequate documentary evidence available for us to verify the occurrence, accuracy and completeness of the significant transactions or events which may have occurred between the period from 1 July 2011 to the date of this auditors' report as required under Hong Kong Standard on Auditing 560 "**Subsequent Events**" issued by the HKICPA; (ii) we were unable to carry out any effective confirmation procedures in relation to the entities involved in the events after the reporting period as disclosed in note 36 to the consolidated financial statements; and (iii) prior to the date of this report, the board of directors of the Company had resolved to establish a special investigation committee for the purpose of, inter alia, including investigating issues raised by the predecessor auditors in their resignation letter. The investigation has not been completed and no report has been issued up to the date of this report. Pending the final outcome of the investigation, there were no practical audit procedures that we could perform over significant transactions or events which occurred during the period from 1 July 2011 to the date of this auditors' report. As a result, we are unable to form an opinion as to whether all significant transactions or events which occurred during the period from 1 July 2011 to the date of this auditors' report were properly accounted for and adequately disclosed in the consolidated financial statements.

(15) Scope limitation — Related party disclosures

(a) The entity to whom the Group made the JV Expense Advance during the year ended 30 June 2010 (as referred to in item 3(b) above) appeared to be a related party of the Group based on the results of our searches made with public registry which indicated that the former chief executive officer of the Group was a director of the above entity. There was no satisfactory explanation and sufficient appropriate audit evidence provided to us to explain and verify as to whether the above transaction might have constituted a related party transaction for the year ended 30 June 2010.

(b) One of the entities on whose behalf the Group made the Legal Fee Prepayment during the year ended 30 June 2010 (as referred to in item 7 above) appeared to be a related party of the Group based on the results of our searches made with public registry which indicated that a director of the Company and the former chief executive officer of the Group were directors and shareholders of the above entity. There was no satisfactory explanation and sufficient appropriate audit evidence provided to us to explain and verify as to whether the above transaction might have constituted a related party transaction for the year ended 30 June 2010.

Prior to the date of this report, the board of directors of the Company had resolved to establish a special investigation committee for the purpose of, inter alia including investigating issues raised by the predecessor auditors in their resignation letter. The investigation has not been completed and no report has been issued up to the date of this report. Pending the final outcome of the investigation, there were no practical audit procedures that we could perform over significant related party transactions which may have occurred during the current and prior years. Accordingly, we were unable to form an opinion as to whether all significant related party transactions which occurred during the current and prior years were properly accounted for and adequately disclosed in the consolidated financial statements.

(16) Scope limitation — Opening balances and corresponding figures

As a result of the matters mentioned in items 1, 2(a), 3, 4, 6(b), 7, 8, 10, 12, 13 and 15 above, we were unable to obtain sufficient appropriate audit evidence regarding the opening balances and corresponding figures and there were no alternative audit procedures to satisfy ourselves as to whether the opening balances and corresponding figures were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's assets and liabilities at 30 June 2010 and 2011 and its results for the years ended 30 June 2010 and 2011, and the presentation and disclosures thereof in the consolidated financial statements.

Had we been able to satisfy ourselves in respect of the matters mentioned in items (1) to (15) above, adjustments might have been found to be necessary which would have had a consequential impact on the Group's net assets at 30 June 2011 and its net loss for the year then ended and may have resulted in additional information being disclosed in the consolidated financial statements.

(17) Material uncertainties relating to the going concern basis

As disclosed in note 3 to the consolidated financial statements, the Group incurred a loss attributable to the owners of the Company of approximately HK$185,680,000 for the year ended 30 June 2011. 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 refundable deposit of HK$40,500,000 from the vendor in connection with the termination of the Group's proposed acquisition of 70% equity interest in Vertical Signal Investments Limited ("**Vertical**"), further details of which were set out in the Company's announcement dated 5 April 2012; (ii) the estimated proceeds from sales of inventories amounting to approximately HK$26,600,000 (which were purchased by the Group subsequent to 30 June 2011); and (iii) the repayment and settlement of inventory prepayments from the Group's suppliers amounting to approximately HK$34,702,000 (collectively referred to as the "**Proposed Plans**").

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the success of the Proposed Plans being implemented by the Group. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realisation and reclassification of non-current assets that may be necessary if the Group is unable to continue as a going concern.

Should the going concern assumption be inappropriate, 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, the material uncertainty in relation to the appropriateness of the adoption of the going concern basis is so extreme that we have disclaimed our opinion.

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 as to whether they give a true and fair view of the state of affairs of the Company and of the Group at 30 June 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

REPORT ON MATTERS UNDER SECTIONS 141(4) AND 141(6) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding items 1 to 16 above:

— we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

— we were unable to determine whether proper books of account had been kept.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 30 June 2010 were audited by another firm of auditors who expressed an unmodified opinion on those statements on 27 September 2010.

5. STATEMENT OF INDEBTEDNESS

Borrowings

At the close of business on 31 January 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the print of this circular, the Enlarged Group had the following outstanding borrowings:

(a) the borrowing from Koffman Investment Limited, of which Mr. Yu Zhen Hua, Johnny (former name: Mr. Yu Shu Kuen) an executive director and the chairman of the Group, is the ultimate beneficial owner of approximately HK$52,580,000,which is unsecured, bearing interest of 12% per annum and repayable on 31 December 2014.

(b) the borrowing from Ms. Chan, of approximately HK$1,387,000, which is non-interest bearing, unsecured and repayable on demand.

(c) the borrowing from Dr. Lo Shing Kei, an independent third party of the Enlarged Group, of HK$1,400,000 which is non-interest bearing, unsecured and repayable on demand.

(d) the obligation under finance leases of approximately HK$27,000 and HK$967,000 of the Group and the Target Company respectively, which is secured by the leased assets acquired and interest-bearing.

General

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have any outstanding mortgages, charges, debentures or other loan capital, bank drafts, loans, debt securities or other similar indebtedness, liabilities under acceptance or acceptances credits, finance lease, or hire purchase commitments guarantees or other material contingent liabilities at the close of business on 31 January 2014.

6. WORKING CAPITAL

The Directors after due and careful enquiry, are of the opinion that, after taking into account of granting of a loan facility up to a principal amount of HK$80,000,000 pursuant to the loan agreement entered into between the Company and Koffman Investment Limited dated 27 March 2012, as supplemented by three supplemental agreements dated 26 June 2012, 17 October 2013 and 13 February 2014 respectively; the net proceeds from the subscription of convertible bonds in principal amount of HK$40,000,000 to be issued by the Company to New Cove Limited pursuant to the subscription agreement entered into between the Company and New Cove Limited dated 21 March 2013, as supplemented by the extension agreement dated 30 October 2013, granting of the an unsecured loan in the principal amount of HK$40,000,000 pursuant to the loan agreement entered into between the Company and Hong Kong Builders Finance Limited dated 21 March 2013, as supplemented by the extension agreement dated 30 October 2013, and the internal resources of the Enlarged Group, the Enlarged Group has sufficient working capital for its normal business for at least next 12 months from the expected date of trading resumption.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2013, being the date to which the latest published audited consolidated accounts of the Group were made up, as at the Latest Practicable Date.

8. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE GROUP

Set out below is the management discussion and analysis of the Group for the six months ended 31 December 2013 and for the three years ended 30 June 2013, 2012 and 2011.

For the six months ended 31 December 2013

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 ("**KIL**"), of which Mr. Yu Zhen Hua, Johnny, the Chairman of the Board and an executive Director, is the ultimate beneficial owner, in the principal of HK$10.0 million and HK$20.0 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 thereon for the First Loan Agreement entered had been repaid on 7 May 2012. The loan facility of the Second Loan Agreement was increased to a principal amount of HK$50.0 million in accordance with the extension 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 28 February 2014, by entering of sixteen supplementary loan extension agreements (the "**Extension Agreements**") dated 26 June 2012, 26 September 2012, 26 October 2012, 26 November 2012, 7 December 2012, 31 December 2012, 15 January 2013, 31 January 2013, 28 February 2013, 2 April 2013, 30 April 2013, 31 May 2013, 28 June 2013, 31 July 2013, 30 August 2013 and 31 December 2013 respectively.

On 17 October 2013, the Company and KIL entered into a supplemental agreement (the "**Supplemental Agreement**"), pursuant to which and subject to the terms and conditions of the Second Loan Agreement and the Extension Agreements, KIL has increased the loan facility available to the Company from HK$50,000,000 to up to a principal amount of HK$60,000,000 provided that the Company shall further provide KIL with a cheque drawn on a licensed bank in Hong Kong in the total amount of HK$60,000,000 dated 31 December

2013 and made payable to KIL. Subject to the changes under the Supplemental Agreement, all other terms and conditions of the Second Loan Agreement and the Extension Agreements remain the same.

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

In December 2013, the Group introduced a new range of products of "Evidens de Beauté" (the "**Extreme Line**") to the market. On 18 December 2013, the Group organised an event to celebrate and publicise its new launch of the Extreme Line.

FINANCIAL REVIEW

Due to De-consolidation, the financial statements of the Unconsolidated Subsidiaries have not been included in the unaudited condensed consolidated financial information of the Group for the six months ended 31 December 2013.

Turnover of the Group was approximately HK$8.5 million for the six months ended 31 December 2013 of which approximately HK$7.4 million (2012: approximately HK$1.8 million), approximately HK$1.1 million (2012: approximately HK$1.5 million) and Nil (2012: approximately HK$1.1 million) were generated from the sale of beauty products, provision of therapy services and sale of beauty equipment respectively, representing an increase of approximately 93.5% as compared with the corresponding period last year. The gross profit margin was approximately 36.3% as compared with a gross loss margin of approximately 54.3% recorded in the corresponding period last year.

Other revenue and income of approximately HK$3.4 million was mainly contributed by the other interest income on overdue receivable in relation to the refundable deposit of approximately HK$39.1 million.

The administrative expenses amounted to approximately HK$5.1 million, representing a decrease of 42.7% over the same period last year. Such decrease was mainly contributed by the decrease of (i) staff cost from approximately HK$3.4 million to approximately HK$1.4 million; (ii) legal and professional fees from approximately HK$1.2 million to approximately HK$1.0 million; (iii) rent and rate expenses from approximately HK$0.75 million to approximately HK$0.24 million; and (iv) entertainment and overseas travelling expenses in an aggregate of approximately HK$0.93 million to approximately HK$0.07 million.

The finance costs of approximately HK$2.9 million was mainly attributed to the loan interest expenses paid to KIL during the period under review.

The consolidated loss attributable to shareholders of the Company amounted to approximately HK$2.1 million (2012: approximately HK$13.6 million) for the six months ended 31 December 2013, representing an improvement of approximately 84.2% as compared with the corresponding period last year. The improvement of the Group's results was mainly contributed by (i) the turnaround of the Group's operation from gross loss margin to gross profit margin; (ii) the decrease of administrative expenses; and (iii) the record of other interest income on overdue receivable in relation to the refundable deposit.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2013, the Group had total assets of HK$ 61.9 million (30 June 2013: HK$ 53.8 million), including cash and bank balances of approximately HK$ 1.7 million (30 June 2013: HK$ 1.8 million).

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

CAPITAL STRUCTURE

At 31 December 2013, the total borrowings of the Group amounted to approximately HK$52.6 million (30 June 2013: approximately HK$42.4 million), representing the borrowing from KIL 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 over total assets, was 85.0% (30 June 2013: 78.8%). The deterioration in gearing ratio was mainly attributed to the increase in borrowings during the period under review.

CHARGE ON THE GROUP'S ASSETS

At 31 December 2013, the Group had charged bank deposits of approximately HK$0.5 million (30 June 2013: approximately HK$0.5 million) 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

At 31 December 2013, the Group had operating lease commitments of approximately HK$2.5 million (30 June 2013: approximately HK$4.1 million).

CONTINGENT LIABILITIES

At 31 December 2013, the Group had no contingent liabilities (2012: Nil).

EMPLOYEES

At 31 December 2013, the Group had 27 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 period ended 31 December 2013.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as the conditional Sale and Purchase Agreement dated 18 October 2013 in relating to the acquisition of 51% issued share capital of the Target Company, the Group did not make any material acquisitions and disposal of subsidiaries and affiliated companies for the period ended 31 December 2013.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

Future Plans

In addition to entering the Sale and Purchase Agreement, the Group will continue to promote the brand and the promotion plan for the "Evidens de Beauté" products including but not limited to: (i) to subscribe advertising plan with a luxury magazine in Hong Kong; (ii) to arrange small group gatherings with beauty editors to share news within the industry and to increase the exposure of the "Evidens de Beauté" brand; and (iii) to place advertisements in social mobile media. In addition, the Group is looking for new locations which enable the Group to expand its distribution channel.

EVENTS AFTER THE REPORTING PERIOD

(a) On 7 February 2014, the Company received a letter from the Stock Exchange stated it allows trading resumption of the Company's shares subject to satisfying the following conditions by 30 April 2014:

  (a) completion of the Proposed Acquisition (the "**Proposed Acquisition**") of China Honest Enterprises Limited (the "**Target Company**") announced on 4 November 2013;

  (b) inclusion in the shareholder circular:

    (i) profit forecasts for the years ending 30 June 2014 and 2015 on the Group as enlarged by the Target Company together with reports from the Company's auditors and financial adviser under paragraph 29(2) of Appendix 1B; and

    (ii) a statement from the directors confirming working capital sufficiency for at least 12 months after resumption and a comfort letter from the auditors on the directors' statement; and

  (c) provision of a confirmation from an independent professional firm that the Company has adequate internal control systems.

(b) On 13 February 2014, the Company and KIL have entered into a supplemental loan agreement (the "**Second Supplemental Agreement**"), pursuant to which and subject to the terms and conditions of the Second Loan Agreement, the Extension Agreements and the Supplemental Agreement, KIL has agreed to increase the amount of the loan facility available to the Company from HK$60,000,000 to up to a principal amount of HK$80,000,000 and the repayment date of all the outstanding borrowings for the Second Loan Agreement has been further extended from 28 February 2014 to 31 December 2014 (or such later date as KIL and the Company may agree in writing).

LITIGATION

As disclosed in the Company's announcement dated 5 April 2012, 4 July 2012, 24 July 2012, 3 August 2012, 21 August 2012, 28 September 2012, 26 October 2012, 1 November 2012, 21 December 2012, 29 January 2013, 25 April 2013 and 3 May 2013 respectively in relation to, among other matters, the deed of termination, entered into between Blu Spa

(Hong Kong) Limited ("**BSHK**", a deconsolidated subsidiary) and Mr. Shum Yeung ("**Mr. Shum**") in relation to the termination of the acquisition of 70% equity interest of Vertical Signal Investments Limited, pursuant to which Mr. Shum shall repay BSHK the full amount of the refundable deposit of HK$45,000,000, the issuing of the writ of summons (the "**Writ**") in the High Court of Hong Kong Special Administrative Region by BSHK against Mr. Shum, the subsequent execution of the deed of settlement (the "**Deed of Settlement**") by BSHK and Mr. Shum for the settlement of legal proceedings represented by the Writ, the extension to the repayment dates for Mr. Shum to make repayment pursuant to the Deed of Settlement, the execution of the deed of assignment (the "**Deed of Assignment**"), the execution of a second deed of settlement (the "**Second Deed of Settlement**") by BSHK, the Company and Mr. Shum, the repayment proposal agreed between the Company and Mr. Shum (the "**Repayment Proposal**"), the new repayment proposal agreed between the Company and Mr. Shum (the "**New Repayment Proposal**") and the additional security provided by Dutfield International Group Company Limited to the Company for the recovery of the outstanding amount due by Mr. Shum.

As Mr. Shum defaulted to settle the outstanding amount due to the Company, the Company applied to the Court to restore the hearing of the summary judgment application and substitute BSHK as the plaintiff in the summary judgment application against Mr. Shum. On 25 July 2013, a consent order was granted by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region that, among others, the Company be granted leave to substitute BSHK as the plaintiff in the legal action against Mr. Shum. An amended statement of claim was filed on about 30 July 2013.

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

For the year ended 30 June 2013

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 ("**KIL**"), 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 report, 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 report, 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 report, 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 report, 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 report, 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 report, 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, the management continued to streamline its operations and concentrated its resources to develop its new business. Up to the date of this report, 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 Xi'an, 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 30 June 2013.

During the year, 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 previous 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 KIL during the year.

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, 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, the Group financed its operation with internally generated cash flows and borrowing from KIL.

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 KIL 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.

CHARGE ON THE GROUP'S ASSETS

As at 30 June 2013, the Group had charged bank deposits of approximately HK$0.5 million (2012: HK$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 Xi'an, China in March 2013. The Group has appointed an agent for registration of a selected range of the "Evidens de Beauté" products in PRC. 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 PRC. The Group plans to commence distribution of the "Evidens de Beauté" products in PRC after the products are registered. The Group will gradually promote the brand name of "Evidens de Beauté" in PRC in the meantime. The Group has sponsored "Guangzhou (International) Fashion Hair Style, Make Up and Image Design Competition" held on 24 August 2013 and 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 30 August 2013, the Company announced that on 29 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 report, 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 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 report, 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 judgement 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 judgement 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 judgement to be taxed if not agreed. The Company will demand the Defendant's immediate payment of the judgement debt. If the Defendant fails and/or refuses to pay the judgement debt, the Company will take enforcement proceedings against the Defendant to recover it.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS AND REQUIRED TO BE DISCLOSED IN ACCORDANCE WITH RULE 17.50A(1) OF THE GEM LISTING RULES

Mr. Yu Shu Kuen, one of the executive Directors, has changed his name to Yu Zhen Hua Johnny and renounced and abandoned the use of his former name after the adoption of the new name.

Save as disclosed above and to the best of the Directors' knowledge, there was no change in any of the information which is required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 17.50(2) since the publication of the Company's interim report for the six months ended 31 December 2012 up to 6 September 2013 (being the date of approval of this report).

For the year ended 30 June 2012

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 annual results announcement of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 30 June 2011.

In view of the insufficient of general working capital, the Company entered into two short-term loan agreements in normal commercial terms with Koffman Investment Limited ("**Koffman**"), of which Mr. Yu Shu Kuen ("**Mr. Yu**"), the chairman of the board of Directors (the "**Board**") and an executive Director, is the ultimate beneficial owner, in the principal amount of HK$10.0 million and HK$20.0 million on 8 February 2012 and 27 March 2012 respectively. All the outstanding borrowings and interest expenses accrued thereon for the loan agreement entered into on 8 February 2012 had been repaid on 7 May 2012. The loan facility was increased to a principal amount of HK$50.0 million in accordance with the supplementary loan agreement dated 26 June 2012. The repayment date of all the outstanding borrowings for the loan agreement entered into on 27 March 2012 has been extended from 27 June 2012 to 7 December 2012, by entering into four supplementary loan agreements dated 26 June 2012, 26 September 2012, 26 October 2012 and 26 November 2012 respectively.

On 7 March 2012, the former auditors of the Group, HLM & Co. ("**HLM**"), tendered their resignation as the independent auditors of the Group. In view of the reasons for resignation as set out in the resignation letter issued by HLM to the Board, it was resolved by the Board on 7 March 2012 to establish a special investigation committee of the Company (the "**Special Investigation Committee**") for the purposes of, (i) investigating the issues raised by HLM in their resignation letter; (ii) reviewing the internal control procedures and corporate governance policies of the Group; and (iii) making recommendations to the Board on appropriate actions to be taken.

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, HLB Hodgson Impey Cheng, 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 HLM's resignation letter and the audit qualifications made by HLB Hodgson Impey Cheng in its independent auditors' report;

(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 HLB Hodgson Impey Cheng; and

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

The Company should also comply with the GE M Listing Rules and all the 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 same day. On 10 October 2012, the Special Investigation Committee has submitted the Forensic Investigation Report to the Board. 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 taken 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 have not been included in the consolidated financial statements for the year ended 30 June 2012.

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.

FINANCIAL REVIEW

Due to de-consolidation of certain subsidiaries, the financial statements of Clapton Holdings Limited, Blu Spa International Limited, Blu Spa Management Services Limited, Blu Spa (Hong Kong) Limited ("**BSHK**") and six of its wholly owned subsidiaries, including Castletop Assets Limited, Winner Century (Hong Kong) Limited, Star Beauty Group Holdings Limited, Star Beauty Canada Inc., Max-Gold Pacific Limited and Profit Full Global Limited have not been included in the consolidated financial information of the Group.

The consolidated loss attributable to shareholders of the Company (the "**Shareholders**") amounted to approximately HK$100.4 million (2011: HK$185.7 million) for the year ended 30 June 2012. Such loss was mainly attributed to the combined effect of the impairment loss recognised in respect of intangible assets, impairment loss recognised in respect of deposits, prepayments and other receivables and gain on de-consolidation of subsidiaries.

FUTURE PLANS

As announced by the Company on 26 October 2012, the Group intended to expand the distribution business for "Evidens de Beauté" products to mainland China and Taiwan. The Group is planning to establish a subsidiary in each of mainland China and Taiwan for the purposes of registering and distributing "Evidens de Beauté" products in these territories. Such expansion plan is under negotiations with the brand owner of "Evidens de Beauté" products.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the Group had total assets of approximately HK$57.7 million (2011: HK$134.2 million), including cash and bank balances of approximately HK$0.3 million (2011: HK$1.4 million).

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

CAPITAL STRUCTURE

(a) Placing of new shares

On 5 August 2011, the Company completed the placing in an aggregate of 110,000,000 new shares under general mandate at a placing price of HK$0.15 per placing share. The net proceeds of approximately HK$16.0 million from the placing had been utilized for general working capital.

(b) As at 30 June 2012, the total borrowings of the Group amounted to approximately HK$19.6 million (2011: HK$2.0 million), representing the borrowing from Koffman of which was 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 34.0% (2011: 1.5%). The deterioration in gearing ratio was mainly attributed to the increase in borrowings during the year under review.

CHARGE ON THE GROUP'S ASSETS

At as 30 June 2012, the Group did not have any charge on its assets.

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 arises.

COMMITMENTS

As at 30 June 2012, the Group had operating lease commitments of approximately HK$7.4 million (2011: HK$8.1 million).

CONTINGENT LIABILITIES

As at 30 June 2012, the Group had no contingent liabilities (2011: Nil).

EMPLOYEES

As at 30 June 2012, the Group had 44 employees. Their remuneration, promotion and salary review were 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 any new significant investment during the year ended 30 June 2012.

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 2012.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

LITIGATION

On 25 September 2012, a writ of summons (the "**Writ**") was issued in the High Court of Hong Kong by 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 4 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$45,000,000.0 (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 the Plaintiff was in the process of applying for summary judgment against the Defendant. The hearing has 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$4,050,000.0 payable to the Plaintiff on 13 November 2012;

   (b) HK$1,597,808.2 payable to the Plaintiff on 13 November 2012; and

   (c) HK$36,450,000.0 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 judgment application under the Writ and the statutory demand against the Defendant with no order as to costs.

The Plaintiff received an aggregate sum of HK$5,647,808.2 from the Defendant on 13 November 2012. On 30 November 2012, the Defendant defaulted to pay the HK$36,450,000.0 as stated in the Deed of Settlement and still defaults to pay such amount as at the date of this report. The Plaintiff will continue to proceed with the court action to recover the outstanding balance of the Claims.

For the year ended 30 June 2011

FINANCIAL REVIEW

Turnover of the Group was approximately HK$53.4 million for the year ended 30 June 2011, representing a decrease of 46.4% as compared with that of the previous year (2010: HK$99.7 million). The decrease in turnover was mainly attributable to a decrease in the sales of beauty equipment from approximately HK$76.0 million in the previous year to approximately HK$35.3 million in the current year and a decrease of royalty fee income from approximately HK$8.6 million in the previous year to approximately HK$3.8 million in the current year.

The Group's gross profit for the year ended 30 June 2011 was approximately HK$15.9 million, representing a decrease of 76.3% as compared with that of the previous year (2010: HK$67.1 million). The decrease in gross profit was mainly due to the revenue contributed by the sales of beauty equipment of which the profit margin was relatively lower as compared with that of the previous year.

Selling and distribution costs decreased by 48.6% to approximately HK$8.3 million from approximately HK$16.1 million in prior year. Such decrease was in line with the decrease of the Group's turnover.

Administrative expenses increased by 20.8% to approximately HK$16.8 million from approximately HK$13.9 million in prior year. Such increase was mainly attributable to an increase of audit fees, legal and professional fees, rental expenses and salaries during the year under review.

During the year under review, the Group recorded an impairment loss recognized in respect of trade receivables and an impairment loss recognized in respect of deposits, prepayments and other receivables amounted to approximately HK$117.5 million and approximately HK$52.1 million respectively. The impairment loss recognised in respect of trade receivables was mainly comprised the outstanding receivable due from the distributor amounted to approximately HK$114.4 million. The nature of the impairment loss recognised in respect of deposits, prepayments and other receivables was mainly the deposits and prepayments paid by the Group to its suppliers in relation to the purchase of raw materials and beauty products.

Finance costs increased by 133.3% to approximately HK$7.0 million from approximately HK$3.0 million in prior year. Such increase was mainly attributable to an increase of effective interest expenses of the convertible bonds issued by the Company on 29 April 2010.

Loss attributable to owners of the Company was approximately HK$185.7 million (2010: profit attributable to owners of the Company of HK$27.1 million). The deterioration in results was mainly attributable to the one-off expenses of impairment loss recognized in respect of trade receivables and impairment loss recognized in respect of deposits, prepayments and other receivables incurred during the year under review.

BUSINESS REVIEW

During the year under review, the turnover of the Group amounted to approximately HK$53.4 million, representing a decrease of 46.4% as compared with that of the previous year (2010: HK$99.7 million). Such decrease was mainly attributable to the decrease in the sales of beauty equipment and royalty fee income.

Sales of beauty equipment

During the year under review, the revenue contributed by the sales of beauty equipment was HK$35.3 million, representing a decrease of 53.6% as compared with that of the previous year (2010: HK$76.0 million). Such decrease was attributable to the reduction in orders from the distributor. The gross profit margin decreased to 46.4% from 78.4% in prior year. The gross profit margin of the beauty equipments sold in the current year had a relatively lower gross profit margin as compared with that of the previous year.

Sales of beauty products

During the year under review, the sales of beauty products was approximately HK$10.6 million, representing a slight increase of 1.0% as compared with that of the previous year (2010: HK$10.5 million). Such increase was mainly contributed by the opening of a new skincare products sales counter located at Causeway Bay in October 2010. The gross profit margin decreased from 1.0% in the previous year to a gross loss margin of 7.9% as a result of extra sales discounts offered during the year under review.

Royalty fee income

During the year under review, the royalty fee income was approximately HK$3.8 million, representing a decrease of 55.8% as compared with that of the previous year (2010: HK$8.6 million). The decrease in the sales volume to the distributor resulted in the decrease of the royalty fee income received by the Group.

Therapy services

The revenue derived from the provision of therapy services was approximately HK$3.1 million, representing an increase of 19.2% as compared with that of the previous year (2010: HK$2.6 million). Such increase was mainly contributed by the full operation of all the spa centres and hair rejuvenating centre during the year under review. A gross loss margin of 126% and 124% was recorded in the current year and the previous year respectively.

Provision of training courses

The revenue derived from the provision of training courses was approximately HK$0.5 million, representing a decrease of 75.0% as compared with that of the previous year (2010: HK$2.0 million). Such decrease was attributable to the decrease in the number of training courses provided in the PRC during the year under review.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group had total assets of approximately HK$134.2 million (2010: HK$278.2 million), including cash and bank balances of approximately HK$1.4 million (2010: HK$1.8 million).

During the year under review, the Group financed its operation with internally generated cash flows, borrowing from a third party and the proceeds from the issuance of new shares.

CAPITAL STRUCTURE

(a) Placing of new shares

On 29 November 2010, the Company and eight subscribers (the "**Subscribers**") entered into separate independent and conditional subscription agreements, pursuant to which the Subscribers had conditionally agreed to subscribe for and the Company had conditionally agreed to allot and issue under general mandate, an aggregate of 80,000,000 shares of the Company at a subscription price of HK$0.375 per subscription share. The subscription of the new shares was completed on 15 December 2010.

(b) During the year under review, 600,000,000 new shares were issued in respect of the conversion of convertible bonds in the principal amount of HK$114,000,000 at a conversion price of HK$0.19 per share.

(c) As at 30 June 2011, the total borrowings of the Group amounted to HK$2.0 million (2010: HK$71.7 million), representing the borrowing from a third party of HK$2.0 million which was unsecured, interest free and repayable within one year.

GEARING RATIO

The gearing ratio, expressed as percentage of total borrowings to total equity, was 1.8% (2010: 38.2%). The improvement in gearing ratio was mainly contributed by the conversion of the convertible bonds into new shares during the year under review.

CHARGE ON THE GROUP'S ASSETS

As at 30 June 2011, the Group did not have any charge on its assets.

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 2011, the Group had operating lease commitments of approximately HK$8.1 million (2010: HK$9.1 million).

CONTINGENT LIABILITIES

As at 30 June 2011, the Group had no contingent liabilities (2010: Nil).

EMPLOYEES

As at 30 June 2011, the Group had 100 employees. Their remuneration, promotion and salary review were 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 for the year ended 30 June 2011.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not make any material acquisition or disposal of subsidiaries and affiliated companies for the year ended 30 June 2011.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

1. ACCOUNTANTS' REPORT OF THE TARGET COMPANY

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower,
The Landmark,
11 Pedder Street,
Central,
Hong Kong

Date: 21 March 2014

The Directors
EDS Wellness Holdings Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information of China Honest Enterprises Limited (the "Target Company") for the period from 17 March 2010 (date of incorporation) to 31 March 2011, the years ended 31 March 2012 and 2013 and the period from 1 April 2013 to 30 September 2013 (the "Relevant Periods") and the notes thereto (the "Financial Information") for inclusion in the circular of EDS Wellness Holdings Limited (the "Company") dated 21 March 2014 (the "Circular") in connection with the sale and purchase agreement dated 18 October 2013 (the "Agreement") entered into between the Company, Chan Suk Yee, Deon and Lai Wing Nok (the "Vendors"). Pursuant to the Agreement, the Company has conditionally agreed to acquire 51% issued share capital of the Target Company at a total consideration of HK$21,420,000 (the "Consideration") (the "Acquisition").

The Target Company is a company incorporated in Hong Kong with limited liability on 17 March 2010. The principal business activity is provision of beauty and wellness services.

The statutory financial statements of the Target Company for the financial period from 17 March 2010 (date of incorporation) to 31 March 2011 and financial years ended 31 March 2012 and 2013 were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the Hong Kong Companies Ordinance. For the financial period from 17 March 2010 (date of incorporation) to 31 March 2011 and financial year ended 31 March 2012, the statutory financial statements of the Target Company were audited by Chan Chee Cheng & Co., Certified Public Accountants (Practising) and a modified opinion was issued in respect of the limitation to attend the physical count of inventories. The statutory financial statements of the Target Company for the financial year ended 31 March 2013 were audited by us.

The underlying financial statements for the period from 1 April 2013 to 30 September 2013 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of the Target Company based on the financial statements for the Relevant Periods, on the basis as set out in note 2 below. The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Target Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors of the Company are responsible for the contents of the Circular in which this report is included.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement. We have also carried out additional procedures as necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation and true and fair presentation of the Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Target Company at 31 March 2011, 2012, 2013 and 30 September 2013 and of the results and cash flows of the Target Company for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards.

MATERIAL UNCERTAINTY CONCERNING GOING CONCERN BASIS OF ACCOUNTING

Without qualifying our opinion, we draw attention in note 2 to the Financial Information which indicates that the Target Company incurred a net loss of approximately HK$1,885,000 during the year ended 31 March 2013 and the Target Company's total liabilities exceeded its total assets by approximately HK$3,147,000 and HK$2,669,000 at 31 March 2013 and 30 September 2013 respectively. These conditions, along with other matters as set forth in note 2 to the Financial Information, indicate that existence of a material uncertainty which may cast significant doubt about the Target Company's ability to continue as a going concern.

COMPARATIVE FINANCIAL INFORMATION

Respective responsibilities of directors and reporting accountants

The directors of the Target Company are responsible for the preparation of the unaudited financial information of the Target Company including the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 1 April 2012 to 30 September 2012, together with the notes thereto (the "Unaudited Comparative Financial Information of the Target Company").

For the purpose of this report, we have reviewed the Unaudited Comparative Financial Information of the Target Company, for which the directors of the Target Company are responsible, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists principally of making enquiries of the Target Company's management and applying analytical procedures to the Unaudited Comparative Financial Information of the Target Company and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the Unaudited Comparative Financial Information of the Target Company.

Conclusion

On the basis of our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Unaudited Comparative Financial Information of the Target Company is not prepared, in all material respects, in accordance with HKFRSs.

A. FINANCIAL INFORMATION OF THE TARGET COMPANY

Statement of profit or loss and other comprehensive income

	Notes	For the period from 17 March 2010 (date of incorporation) to 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013	Six months ended 30 September 2012	Six months ended 30 September 2013
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Turnover	10	4,763	17,505	24,233	10,938	13,993
Cost of sales	11	(6,061)	(13,248)	(19,872)	(8,443)	(9,659)
Gross (loss)/profit		(1,298)	4,257	4,361	2,495	4,334
Other income	12	1	1	27	1	1
Selling and distribution costs		(1,650)	(1,200)	(3,454)	(536)	(1,674)
Administrative expenses		(681)	(559)	(2,719)	(961)	(2,137)
Finance costs	13	(45)	(89)	(100)	(49)	(46)
(Loss)/profit before tax	15	(3,673)	2,410	(1,885)	950	478
Income tax expense	16	—	—	—	—	—
(Loss)/profit for the period/year	17	(3,673)	2,410	(1,885)	950	478
(Loss)/profit for the period/year attributable to owners of the Target Company		(3,673)	2,410	(1,885)	950	478
Total comprehensive (expenses)/income for the period/year		(3,673)	2,410	(1,885)	950	478
Total comprehensive (expenses)/income for the period/year attributable to owners of the Target Company		(3,673)	2,410	(1,885)	950	478

The accompanying notes form an integral part of the Financial Information of the Target Company.

Statement of financial position

		At 31 March			At 30 September
		2011	**2012**	**2013**	**2013**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset					
Property, plant and equipment	18	3,093	3,805	8,836	9,064
Current assets					
Inventories	19	52	97	108	224
Trade receivables	20	203	158	478	1,922
Deposits, prepayments and other receivables	21	686	652	2,773	4,843
Bank balances and cash	22	3,500	9,821	4,224	4,246
		4,441	10,728	7,583	11,235
Current liabilities					
Amount due to a director	23	1,537	1,537	1,537	1,387
Trade payables	24	94	145	233	130
Deferred revenue	25	5,020	9,367	13,234	17,753
Accruals and other payables	26	512	552	1,045	1,138
Obligation under finance lease	27	580	580	580	580
Other borrowing	28	1,400	1,400	1,400	1,400
Bank overdraft	22	33	764	667	—
		9,176	14,345	18,696	22,388
Net current liabilities		(4,735)	(3,617)	(11,113)	(11,153)
Total assets less current liabilities		(1,642)	188	(2,277)	(2,089)
Non-current liability					
Obligation under finance lease	27	2,030	1,450	870	580
Net liabilities		(3,672)	(1,262)	(3,147)	(2,669)
Equity attributable to owners of the Target Company					
Share capital	29	1	1	1	1
Accumulated losses		(3,673)	(1,263)	(3,148)	(2,670)
Total equity		(3,672)	(1,262)	(3,147)	(2,669)

The accompanying notes form an integral part of the Financial Information of the Target Company.

Statement of changes in equity

	Share capital *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
Issue of share capital	1	—	1
Loss for the period	—	(3,673)	(3,673)
Total comprehensive expenses for the period	—	(3,673)	(3,673)
At 31 March 2011 and 1 April 2011	1	(3,673)	(3,672)
Profit for the year	—	2,410	2,410
Total comprehensive income for the year	—	2,410	2,410
At 31 March 2012 and 1 April 2012	1	(1,263)	(1,262)
Loss for the year	—	(1,885)	(1,885)
Total comprehensive expenses for the year	—	(1,885)	(1,885)
At 31 March 2013 and 1 April 2013	1	(3,148)	(3,147)
Profit for the period	—	478	478
Total comprehensive income for the period	—	478	478
At 30 September 2013	1	(2,670)	(2,669)
At 1 April 2012	1	(1,263)	(1,262)
Profit for the period	—	950	950
Total comprehensive income for the period	—	950	950
At 30 September 2012 (unaudited)	1	(313)	(312)

Statement of cash flows

	For the period from 17 March 2010 (date of Incorporation) to 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013	Six months ended 30 September 2012	Six months ended 30 September 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Operating activities					
(Loss)/profit before tax	(3,673)	2,410	(1,885)	950	478
Adjustments for:					
Depreciation of property, plant and equipment	502	914	1,689	531	1,253
Written off of property, plant and equipment	—	—	118	118	—
Interest expenses	45	89	100	49	46
Interest income	(1)	(1)	(1)	(1)	(1)
Operating cash flows before movements in working capital	(3,127)	3,412	21	1,647	1,776
Increase in inventories	(52)	(45)	(11)	—	(116)
(Increase)/decrease in trade receivables	(203)	45	(320)	(132)	(1,444)
(Increase)/decrease in deposits, prepayments and other receivables	(686)	34	(2,121)	(7,361)	(2,070)
Increase/(decrease) in trade payables	94	51	88	(16)	(103)
Increase in accruals and other payables	512	40	493	219	93
Increase/(decrease) in amount due to a director	1,537	—	—	—	(150)
Increase in deferred revenue	5,020	4,347	3,867	2,348	4,519
Cash generated from/(used in) operating activities	3,095	7,884	2,017	(3,295)	2,505
Interest paid	(45)	(89)	(100)	(49)	(46)
Net cash generated from/(used in) operating activities	3,050	7,795	1,917	(3,344)	2,459

	For the period from 17 March 2010 (date of Incorporation) to 31 March 2011	Year ended 31 March		Six months ended 30 September	
		2012	2013	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Investing activities					
Purchase of property, plant and equipment	(3,595)	(1,626)	(6,838)	(297)	(1,481)
Interest received	1	1	1	1	1
Net cash used in investing activities	(3,594)	(1,625)	(6,837)	(296)	(1,480)
Financing activities					
Issue of share capital	1	—	—	—	—
Proceed from other borrowing	1,400	—	—	—	—
Proceed from obligation under finance lease	2,900	—	—	—	—
Repayment of obligation under finance lease	(290)	(580)	(580)	(290)	(290)
Net cash generated from/(used in) financing activities	4,011	(580)	(580)	(290)	(290)
Net increase/(decrease) in cash and cash equivalents	3,467	5,590	(5,500)	(3,930)	689
Cash and cash equivalents at beginning of the period/year	—	3,467	9,057	9,057	3,557
Cash and cash equivalents at end of the period/year	3,467	9,057	3,557	5,127	4,246
Analysis of the balances of cash and cash equivalents					
Bank balances and cash	3,500	9,821	4,224	7,839	4,246
Bank overdraft	(33)	(764)	(667)	(2,712)	—
Cash and cash equivalents at end of the period/year	3,467	9,057	3,557	5,127	4,246

B. NOTES TO FINANCIAL INFORMATION

1. General information

The Target Company is a limited liability company incorporated in Hong Kong. The address of its registered office and principal place of business is 29th Floor, Soundwill Plaza, No. 38 Russell Street, Causeway Bay, Hong Kong.

The Target Company was principally engaged in provision of beauty and wellness services.

The Financial Information is presented in thousands of units of Hong Kong Dollars (HK$'000), which is the same as the functional currency of the Target Company.

2. Basis of preparation

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs"), and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. In addition, the Financial Information included applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared under historical cost convention. The preparation of Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Target Company's accounting policies.

The Target Company's books and records are maintained in Hong Kong Dollars ("HK$") as the directors of the Target Company control and monitor the performance and financial position of the Target Company in HK$.

The Target Company incurred a net loss of approximately HK$1,885,000 during the year ended 31 March 2013 and recorded net liabilities of approximately HK$3,147,000 and HK$2,669,000 at 31 March 2013 and 30 September 2013 respectively. The Financial Information have been prepared on a going concern basis because the shareholders of the Target Company has confirmed to provide continuing financial support to the Target Company to enable it to continue as a going concern and to settle its liabilities as and when they fall due for the foreseeable future.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Company has applied the HKFRSs, amendments and interpretations issued by the HKICPA that we are effective for the Target Company's annual period beginning 1 April 2013 consistently for the Relevant Periods.

4. New and revised standards, amendments and interpretations in issue but not yet effective

The Target Company has not early adopted the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HKFRS 9	Financial Instruments[5]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39[5]
HKFRS 10, HKFRS 12 and HKAS 27 (Revised in 2011) (Amendments)	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[4]
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions[2]
HKAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK (IFRIC) — Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
4 Effective for annual periods beginning on or after 1 January 2016.
5 No mandatory effective date yet determined but is available for adoption.

The Target Company is in the process of making an assessment of the impact of these new and revised HKFRSs. The Target Company will apply these new and revised HKFRSs when respective annual periods are effective.

5. Summary of significant accounting policies

(a) Property, plant and equipment

Property, plant and equipment are stated at historical cost less subsequent accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Type	**Basis**
Plant and machinery	20%
Leasehold improvement	20%
Furniture, fixtures and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of profit or loss and other comprehensive income.

(b) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(c) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Target Company's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of such category of financial assets are set out below.

Loans and receivables

Loans and receivables (including trade receivables, deposits, other receivables and bank balances and cash) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. Loans and receivables are measured at amortised cost using the effective interest method, less any identified impairment losses.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than financial assets designated as at fair value through profit or loss.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

(i) significant financial difficulty of the issuer or counterparty;

(ii) default or delinquency in interest or principal payments;

(iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

(iv) the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Target Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Debt and equity instruments issued by the Target Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the asset of the group after deducting all of its liabilities. The Target Company's financial liabilities are generally classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at fair value through profit or loss.

Other financial liabilities

Other financial liabilities (including accruals and other payables, amount due to a director, trade payables, other borrowing, obligation under finance lease and bank overdraft) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Target Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Target Company's own equity instruments.

Derecognition

Financial assets are derecognised when the contracted rights to receive cash flows from the assets expire or, the financial assets are transferred and the Target Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

For financial liabilities, they are removed from statement of financial position when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

(d) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made for inventories when they became obsolete.

(e) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(f) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks.

(g) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity share capital, the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to owners of the Target Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Target Company's equity holders.

(h) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(i) Borrowing

Borrowing is recognised initially at fair value, net of transaction costs incurred. Borrowing is subsequently carried at amortised cost; any difference between the proceeds and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Fee paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing is classified as current liabilities unless the Target Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(k) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Target Company's activities. Revenue is shown net of returns, service refunds and discounts.

The Target Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Target Company's activities as described below. The Target Company bases its estimates on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Sales of services

Revenue from the provision of therapy services are recognised when the services has been rendered to clients. Receipts in respect of treatment packages for which the relevant services have not been rendered are deferred and recognised as deferred revenue in the statement of financial position. The Target Company implements a contractual two-year service expiry policy under which any unutilized treatments at the end of the service period are fully recognised in statement of profit or loss and other comprehensive income.

The Target Company allows its clients to upgrade their existing packages to new premium packages before the expiry of the existing packages. Clients are required to pay the difference between the new premium package and the unutilised existing package value. The existing package contract is terminated and a new contract with a validity period of two years is signed for the new premium package. The deferred revenue of the unutilised existing package together with the receipt is recognised as deferred revenue, and is recognized as revenue when the services has been rendered to clients. Any unutilised treatments at the end of the service period of the new premium package are fully recognised in statement of profit or loss and other comprehensive income.

In additions, the Target Company does not maintain a standardised refundable programme during the Relevant Periods. The management assess with reference to individual physical conditions and treatment progress on a case-by-case basis. Revenue is shown net of certain refunds.

Sales of products

Revenue from sales of beauty products is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the beauty products are delivered to customers.

Interest income

Revenue from interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

(l) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxation profit differs from profit as reported in statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except whether the Target Company is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Current and deferred tax are recognised in profit or loss except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the entity intends to settle its current tax assets and liabilities on a net basis.

(m) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

Assets held under finance leases are recognised as assets of the Target Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Target Company's policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(n) Retirement benefits costs

The Target Company operates a defined contribution Mandatory Provident Fund retirement benefit scheme in Hong Kong (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Target Company in an independently administered fund. The Target Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(o) Provision

Provisions are recognised when the Target Company has a present obligation as a result of a past event, and it is probable that the Target Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(p) Related parties

(i) A person, or a close member of that person's family, is related to the Target Company if that person:

(1) has control or joint control over the Target Company;

(2) has significant influence over the Target Company; or

(3) is a member of the key management personnel of the Target Company or the Target Company's parent.

(ii) An entity is related to the Target Company if any of the following conditions applies:

(1) the entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) both entities are joint ventures of the same third party.

(4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company.

(6) the entity is controlled or jointly controlled by a person identified in (i).

(7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(q) Contingent liabilities and assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Target Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Target Company. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

6. Critical accounting estimates and judgements

In the application of the Target Company's accounting policies, which are described in note 5, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the critical judgements, apart from those involving estimations, that management has made in the process of applying the Target Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(a) Useful lives of property, plant and equipment

The Target Company determines the estimated useful lives and related depreciation charges of its property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Target Company will increase the depreciation charge where useful lives are less than previously estimated lives, and will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

(b) Impairment loss of trade and other receivables

The policy for impairment loss recognised in respect of trade and other receivables of the Target Company is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Target Company were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(c) Net realised value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. The directors reassess the estimations at the end of reporting period.

7. Financial instruments

(a) Categories of financial instruments

	At 31 March			At 30 September
	2011	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loan and receivables (including bank balances and cash)	4,262	10,502	6,573	10,371
Financial liabilities				
Amortised cost	6,186	6,428	6,332	5,215

(b) Financial risk management objectives and policies

The Target Company's major financial instruments include trade receivables, deposits, other receivables, bank balances and cash, amount due to a director, trade payables, accruals and other payables, other borrowing, obligation under finance lease and bank overdraft. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and policies on how to mitigate these risks are set out below. The management manages and monitors these exposures closely to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Target Company's risk exposure relating to financial instruments or the manner in which it manages and measures the risks.

Market risk

(i) Currency risk

For the end of each reporting period, the Target Company mainly operates in Hong Kong and no material foreign currency risk. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations which are denominated in a currency that is not the entity's functional currency. The Target Company currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The Target Company will monitor its foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Target Company has no significant interest bearing financial instruments except bank balances, bank overdraft and obligations under finance lease. Details of the financial instruments are disclosed in respective notes. The Target Company currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposures should the need arise.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for floating-rate interest bearing borrowings. The analysis is prepared assuming those balances outstanding at the end of the reporting period were outstanding for the whole year/period. A 50 basis point increase or decrease which represents the management's assessment of the reasonably possible change in interest rates is used.

If the interest rate on borrowings carried at floating-rate had 5% higher/lower and all other variables were held constant, the (loss)/profit for the period/year ended 31 March 2011, 31 March 2012, 31 March 2013 and 30 September 2013 would decrease by HK$130,000, HK$140,000, HK$106,000 and HK$58,000 respectively.

In the opinion of directors of the Target Company, the sensitivity analysis is unrepresentative of inherent interest rate risk as the period/year end exposure does not reflect the exposure during the period/year.

Credit risk

At the end of each reporting period, the Target Company's maximum exposure to credit risk which will cause a financial loss to the Target Company due to failure to discharge an obligation by the counterparties provided by the Target Company is arising from deposits and trade receivables.

In order to minimise the credit risk, the management of the Target Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Company reviews regularly the recoverable amount of each individual trade debt to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Target Company's credit risk is significant reduced.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Target Company's funding and liquidity management requirements. The Target Company manages liquidity risk by maintaining adequate reserves and other borrowing facilities, by continuously monitoring forecast and actual cash flows, carrying out fund raising activities and matching the maturity profiles of financial assets and liabilities. The following table details the Target Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Target Company can be required to pay. The table includes both interest and principal cash flows.

	Weighted averaged effective interests rate	Less than 1 year	Between 1 and 5 years	Over 5 years	Total un-discounted cash flows	Total carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2011						
Amount due to a director	—	1,537	—	—	1,537	1,537
Trade payables	—	94	—	—	94	94
Accruals and other payables	—	512	—	—	512	512
Other borrowing	—	1,400	—	—	1,400	1,400
Obligations under finance lease	3%	667	2,335	—	3,002	2,610
Bank overdraft	—	33	—	—	33	33
		4,243	2,335	—	6,578	6,186

	Weighted averaged effective interests rate	Less than 1 year	Between 1 and 5 years	Over 5 years	Total un-discounted cash flows	Total carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2012						
Amount due to a director	—	1,537	—	—	1,537	1,537
Trade payables	—	145	—	—	145	145
Accruals and other payables	—	552	—	—	552	552
Other borrowing	—	1,400	—	—	1,400	1,400
Obligations under finance lease	3%	667	1,668	—	2,335	2,030
Bank overdraft	—	764	—	—	764	764
		5,065	1,668	—	6,733	6,428

	Weighted averaged effective interests rate	Less than 1 year	Between 1 and 5 years	Over 5 years	Total un-discounted cash flows	Total carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2013						
Amount due to a director	—	1,537	—	—	1,537	1,537
Trade payables	—	233	—	—	233	233
Accruals and other payables	—	1,045	—	—	1,045	1,045
Other borrowing	—	1,400	—	—	1,400	1,400
Obligations under finance lease	3%	667	1,001	—	1,668	1,450
Bank overdraft	—	667	—	—	667	667
		5,549	1,001	—	6,550	6,332
At 30 September 2013						
Amount due to a director	—	1,387	—	—	1,387	1,387
Trade payables	—	130	—	—	130	130
Accruals and other payables	—	1,139	—	—	1,138	1,138
Other borrowing	—	1,400	—	—	1,400	1,400
Obligations under finance lease	3%	667	667	—	1,334	1,160
		4,723	667	—	5,389	5,215

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

— the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

— the fair values of derivative instruments are determined based on the quoted prices provided by the securities' broker; and

— the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the estimated future cash flows and the current market rate of return.

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

Fair value measurements recognised in the statement of financial position

The carrying value of financial instruments are measured at fair value at the end of each reporting period across the three levels of the fair value hierarchy defined in HKFRS 7 Financial Instruments: Disclosures, with the fair values of each financial instrument categorised in its entirety based on the lowest level of input that fair value measurement.

The levels are defined as follows:

— Level 1: (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market date.

— Level 3: (lowest level): fair value measured using valuation techniques in which any significant input is not based on observable market data.

At the end of each reporting periods, the Target Company had no financial instruments carried at fair value which are based on the Level 1, Level 2 and Level 3 of the fair value hierarchy. There were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3.

8. Capital risk management

The primary objective of the Target Company's capital management is to safeguard the entities in the Target Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Target Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Company may issue new shares or obtain borrowings from banks or other third parties. The Target Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the reporting periods.

The Target Company monitors capital using a gearing ratio, which is net debts divided by equity attributable to owners of the Target Company. The gearing ratios at the end of reporting periods were as follows:

	At 31 March			At 30 September
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other borrowing	1,400	1,400	1,400	1,400
Obligations under finance lease	2,610	2,030	1,450	1,160
Bank overdraft	33	764	667	—
Total debt	4,043	4,194	3,517	2,560
Bank balances and cash *(Note)*	(3,500)	(9,821)	(4,224)	(4,246)
Net debt	543	(5,627)	(707)	(1,686)
Equity attributable to owners of the Target Company	(3,672)	(1,262)	(3,147)	(2,669)
Net debt to total equity ratio	N/A	446%	22%	63%

Note: Cash and cash equivalents comprise bank balances and cash on hand at the end of each reporting periods.

9. Operating segments

The directors of the Target Company review the Target Company's internal financial reporting and other information and also obtains other relevant external information in order to assess performance and allocate resources.

The directors of the Target Company consider that the business of the Target Company is organised in one operating segment. Additional disclosure in relation to segment information is not presented as the directors of the Target Company assess the performance of the only operating segment identified based on the consistent information as disclosed in the Financial Information.

The total net segment loss/profit is equivalent to total comprehensive expenses/income for the Relevant Periods as shown in the statements of profit or loss and other comprehensive income and the total segment assets and total segment liabilities are equivalent to the total assets and total liabilities as shown in the statement of financial position.

The Target Company is domiciled in Hong Kong with major operations in Hong Kong. The directors of the Target Company consider that substantially all the assets of the Target Company are located in Hong Kong.

Information about major customers

The Target Company did not have revenue derived from any customer contributing over 10% of the total revenue of the Target Company during the Relevant Periods.

10. Turnover

	For the period from 17 March 2010 (date of incorporation) to 31 March 2011	Year ended 31 March		Six months ended 30 September	
		2012	2013	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Sales of beauty products	811	2,570	2,324	1,247	749
Therapy services	3,940	14,698	19,722	9,355	11,816
Consultancy income	12	237	741	336	619
Expiry of prepaid treatment packages	—	—	1,446	—	809
	4,763	17,505	24,233	10,938	13,993

11. Cost of sales

	For the period from 17 March 2010 (date of incorporation) to 31 March 2011	Year ended 31 March		Six months ended 30 September	
		2012	2013	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Building management fee	198	278	666	297	396
Cleaning fee	—	—	—	—	25
Computer expenses	—	—	—	—	176
Cost of inventories	701	2,727	4,167	1,790	2,035
Consumables	39	62	89	26	53
Credit card and instalment arrangement commissions	303	625	734	346	501
Depreciation	451	836	1,076	482	641
Doctor consultation fee	—	—	896	—	201
Electricity and water charges	22	36	61	26	39
Internet charge	—	—	—	—	6
Laundry fee	32	50	65	25	38
MPF Scheme	81	155	178	86	107
Printing and stationery	—	—	—	—	59
Referral charges	22	268	327	156	110
Rent and rates	832	1,214	3,365	1,268	1,770
Repair and maintenance	41	101	308	127	175
Staff salaries	3,313	6,894	7,857	3,741	3,287
Sundry	—	—	—	—	8
Telephone and fax	—	—	—	—	7
Uniform	26	2	83	73	25
	6,061	13,248	19,872	8,443	9,659

12. Other income

	For the period from 17 March 2010 (date of incorporation) to 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013	Six months ended 30 September 2012	Six months ended 30 September 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Bank interest income	1	1	1	1	1
Un-presented cheque	—	—	26	—	—
	1	1	27	1	1

13. Finance costs

	For the period from 17 March 2010 (date of incorporation) to 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013	Six months ended 30 September 2012	Six months ended 30 September 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest on finance lease	44	87	87	44	44
Interest on bank overdraft	1	2	13	5	2
	45	89	100	49	46

14. Employees' emoluments

The emoluments of the five highest paid individuals for the end of each reporting periods were as follows:

	For the period from 17 March 2010 (date of incorporation) to 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013	Six months ended 30 September 2012	Six months ended 30 September 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries and other allowances	2,305	4,704	5,467	2,655	1,669
Contributions to retirement benefits scheme	36	60	72	34	37
	2,341	4,764	5,539	2,689	1,706

Their emoluments are within the following bands:

	Number of employees				
	For the period from 17 March 2010 (date of incorporation) to 31 March 2011	Year ended 31 March 2012	2013	Six months ended 30 September 2012 (Unaudited)	2013
Nil–HK$1,000,000	4	4	4	4	5
HK$1,000,000–HK$1,500,000	1	—	—	—	—
HK$1,500,001–HK$2,000,000	—	—	—	1	—
HK$2,500,000–HK$3,000,000	—	1	—	—	—
HK$3,000,001–HK$3,500,001	—	—	1	—	—

During the reporting periods, no emoluments were paid by the Target Company to the five highest paid individuals, directors or the chief executive officer of the Target Company, as an inducement to join or upon joining the Target Company or as compensation for loss of office.

15. (Loss)/profit before tax

(Loss)/profit before tax has been arrived at after charging:

	For the period from 17 March 2010 (date of incorporation) to 31 March 2011	Year ended 31 March 2012	2013	Six months ended 30 September 2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Auditors' remuneration	26	28	26	13	13
Depreciation *(note 18)*	502	914	1,689	531	1,253
Wages and salaries	3,543	6,960	8,550	4,003	4,113
Other staff costs	80	70	82	43	3
Retirement benefit scheme contributions	91	158	212	96	146
Total staff costs	3,714	7,188	8,844	4,142	4,262
Operating lease payments	815	1,238	3,375	1,329	1,935

Note: During the reporting periods, no amounts have been paid in respect of director's emoluments, directors' or past directors' pensions or for any compensation to directors or past directors in respect of loss of office.

16. Income tax expense

No provision for Hong Kong Profits Tax has been made as the Target Company had no estimated assessable profits for the Relevant Periods.

The taxation for the Relevant Periods can be reconciled to the (loss)/profit before tax per the statement of profit or loss and other comprehensive income as follows:

	For the period from 17 March 2010 (date of incorporation) to 31 March 2011	Year ended 31 March		Six months ended 30 September	
		2012	2013	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
(Loss)/profit before tax	(3,673)	2,410	(1,885)	950	478
Taxation at income tax rate	(606)	398	(311)	157	79
Tax effect of non-deductible expenses	2	—	53	—	—
Tax effect of non-taxable income	(1)	(1)	(1)	(1)	(1)
Tax effect on temporary differences arising from accelerated depreciation allowance not recognised	(95)	(156)	(120)	(157)	(29)
Tax effect of tax loss not recognised	700	—	379	1	—
Utilisation of tax loss previously not recognised	—	(241)	—	—	(49)
Tax charge for the period/year	—	—	—	—	—

17. (Loss)/profit attributable to owners of the Target Company

For the period/years ended 31 March 2011, 31 March 2012, 31 March 2013 and 30 September 2013, net loss of approximately HK$3,673,000, net profit of approximately HK$2,410,000, net loss of approximately HK$1,885,000 and net profit of approximately HK$478,000 has been dealt with in the financial statements of the Target Company respectively.

18. Property, plant and equipment

	Plant and machinery *HK$'000*	Leasehold improvement *HK$'000*	Furniture, fixture and equipment *HK$'000*	Total *HK$'000*
Cost				
Additions	3,223	213	159	3,595
At 31 March 2011 and 1 April 2011	3,223	213	159	3,595
Additions	1,600	—	26	1,626
At 31 March 2012 and 1 April 2012	4,823	213	185	5,221
Additions	1,120	3,947	1,771	6,838
Written off	—	(213)	—	(213)
At 31 March 2013 and 1 April 2013	5,943	3,947	1,956	11,846
Additions	1,204	182	95	1,481
At 30 September 2013	7,147	4,129	2,051	13,327
Accumulated depreciation				
Charge for the period	451	30	21	502
At 31 March 2011 and 1 April 2011	451	30	21	502
Charge for the year	836	43	35	914
At 31 March 2012 and 1 April 2012	1,287	73	56	1,416
Charge for the year	1,077	416	196	1,689
Written off	—	(95)	—	(95)
At 31 March 2013 and 1 April 2013	2,364	394	252	3,010
Charge for the period	641	410	202	1,253
At 30 September 2013	3,005	804	454	4,263
Net carrying amount				
At 31 March 2011	2,772	183	138	3,093
At 31 March 2012	3,536	140	129	3,805
At 31 March 2013	3,579	3,553	1,704	8,836
At 30 September 2013	4,142	3,325	1,597	9,064

Included in the carrying amounts of plant and machinery at 30 September 2013 of approximately HK$1,133,000 (At 31 March 2011: approximately HK$2,713,000, At 31 March 2012: approximately HK$2,081,000, At 31 March 2013: approximately HK$1,449,000) is held under finance lease.

19. Inventories

	At 31 March			At 30 September
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Finished goods	52	97	108	224

20. Trade receivables

At the end of each reporting period, the ageing analysis of the trade receivables based on invoice date were as follows:

	At 31 March			At 30 September
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0–30 days	203	158	436	1,854
31 days–60 days	—	—	20	—
61 days–90 days	—	—	22	68
	203	158	478	1,922

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

The carrying amounts of trade receivables approximate their fair values. There is no concentration of credit risk with respect to trade receivables as there are a dispersed number of financial institutions with high individual credit ratings through which the credit card sales are entered into.

The Target Company allows credit period ranging from 0 days to 30 days to its customers. Allowances for doubtful debts are recognised against trade receivables over 30 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position. Trade receivables disclosed above include amounts which are past due at the end of each reporting period for which the Target Company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

The ageing analysis of receivables that are past due but not impaired:

	At 31 March			At 30 September
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Overdue by:				
1–30 days	—	—	20	—
31 days–60 days	—	—	22	68
	—	—	42	68

21. Deposits, prepayments and other receivables

	At 31 March			At 30 September
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits	559	523	1,871	2,062
Prepayments	127	129	902	640
Other receivables	—	—	—	2,141
	686	652	2,773	4,843

The directors of the Target Company consider the carrying amounts of the deposits, prepayments and other receivables approximate their fair values.

22. Bank balances and cash

	At 31 March			At 30 September
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and on hand	3,500	9,821	4,224	4,246
Bank overdraft	(33)	(764)	(667)	—
Cash and cash equivalents	3,467	9,057	3,557	4,246

23. Amount due to a director

	At 31 March			At 30 September
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Ms. Chan Suk Yee, Deon	1,537	1,537	1,537	1,387

The amount due to a director is non-interest bearing, unsecured and repayable on demand.

24. Trade payables

At the end of each reporting period, the ageing analysis of the trade payables based on invoice date were as follows:

	At 31 March			At 30 September
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0–30 days	91	116	215	100
31–60 days	1	29	—	26
61–90 days	1	—	—	—
121–150 days	1	—	—	—
Over 180 days	—	—	18	4
	94	145	233	130

25. Deferred revenue

	At 31 March			At 30 September
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of period/year	—	5,020	9,367	13,234
Sales contracts entered into during the period/year *(note a)*	8,977	19,076	25,073	17,144
Revenue recognised upon the provision of services *(note b)*	(3,940)	(14,698)	(19,722)	(11,816)
Revenue recognised upon expiry of prepaid treatment packages *(note c)*	—	—	(1,446)	(809)
Revenue recognised for the sales and redemptions of beauty products	—	—	(3)	—
Refunds of treatment packages *(note d)*	(17)	(31)	(35)	—
At the end of period/year	5,020	9,367	13,234	17,753

Notes:

(a) The amounts represent receipts from sales of beauty products and provision of therapy services to clients during the period/year which were to be settled via credit cards, Electronic Payment System ("EPS"), cash and instalment payment arrangement.

(b) The amounts represent revenue recognised in profit or loss as a result of therapy services rendered to clients during the period/year.

(c) The amounts represent revenue recognised in profit or loss for prepaid service packages expired in accordance with the contractual service periods stipulated in the respective sale contracts, which last for 2 years for all sale contracts.

(d) The amounts represent refunds of treatment packages as a result of 3, 4 and 1 clients' complaints and claims for the period ended 31 March 2011 and years ended 31 March 2012 and 2013 respectively in relation to treatment outcome assessed with reference to individual physical conditions and treatment progress on a case-by-case basis.

26. Accruals and other payables

		At 31 March		At 30 September
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	496	436	1,045	1,060
Other payables	16	116	—	78
	512	552	1,045	1,138

27. Obligation under finance lease

During the reporting period, the Target Company leased plant and machineries under finance lease. The lease term is 5 years starting from 29 October 2010 with a fixed interest rate of 3% per annum.

	Minimum lease payments			
		At 31 March		At 30 September
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance lease:				
Within one year	667	667	667	667
More than one year and not more than five years	2,335	1,668	1,001	667
	3,002	2,335	1,668	1,334
Less: future finance charges	(392)	(305)	(218)	(174)
	2,610	2,030	1,450	1,160

	Present value of minimum lease payments			
	At 31 March			At 30 September
	2011	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance lease:				
Within one year	580	580	580	580
More than one year and not more than five years	2,030	1,450	870	580
	2,610	2,030	1,450	1,160
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(580)	(580)	(580)	(580)
Amounts due for settlement after 12 months	2,030	1,450	870	580

The Target Company's obligation under finance lease is secured by the guarantee from the Government of the HKSAR to the extent of HK$1,450,000 and joint and several guarantee from a key management personnel of the Target Company and an independent third party to the extent of HK$2,900,000.

28. Other borrowing

	At 31 March			At 30 September
	2011	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Dr. Lo Shing Kei	1,400	1,400	1,400	1,400

Other borrowing is non-interest bearing, unsecured and repayable on demand.

29. Share capital

	Number of share	Amount
		HK$'000
Authorised:		
At 17 March 2010 (date of incorporation), 31 March 2011, 31 March 2012, 31 March 2013 and 30 September 2013	10,000	10
Issued and fully paid:		
At 17 March 2010 (date of incorporation), 31 March 2011, 31 March 2012, 31 March 2013 and 30 September 2013	100	1

30. Retirement benefit scheme

The Target Company operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all employees. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Target Company in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap monthly relevant income of HK$20,000 up to 31 May 2012 and changed to HK$25,000 from 1 June 2012.

The retirement benefits cost charged to the statement of profit or loss and other comprehensive income represents contributions payable to the scheme by the Target Company at rates specified in the rules of the scheme.

31. Operating lease commitments

	At 31 March			At 30 September
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,158	1,310	4,121	4,086
In the second to fifth year inclusive	1,631	368	5,045	3,027
	2,789	1,678	9,166	7,113

Operating lease payments represent rentals payable by the Target Company for certain of its office premises. Leases are negotiated for an average terms of 2 to 3 years.

32. Material related party transactions

Save as disclosed elsewhere to the financial statements, the Target Company had the following material transactions with related party during the Relevant Periods:

Name of party	Nature of transactions	For the period from 17 March 2010 (date of incorporation) to 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2013	Six months ended 30 September 2012	Six months ended 30 September 2013
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Ms. Chan Tsui Yi, Tweety *(note)*	Salaries and other allowance	261	550	585	292	299
Ms. Chan Tsui Yi, Tweety *(note)*	Contributions to retirement benefits scheme	7	12	14	7	7
		268	562	599	299	306

Note:

Ms. Chan Tsui Yi, Tweety is the sister of the director of the Target Company, Ms. Chan Suk Yee, Deon.

33. Subsequent events

No significant events took place subsequent to 30 September 2013.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Target Company in respect of any period subsequent to 30 September 2013 and no dividends or other distributions have been declared by the Target Company in respect of any period subsequent to 30 September 2013.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY

Set out below is the financial information of the Target Company for the six months ended 30 September 2013 and for the three years ended 31 March 2013:

For the six months ended 30 September 2013

Financial review

For the six months ended 30 September 2013, the Target Company recorded a turnover of approximately HK$14.0 million, representing an increase of approximately 27.9% as compared with that of prior period, of which approximately HK$11.8 million, approximately HK$0.8 million, approximately HK$0.6 million and approximately HK$0.8 million were generated from the provision of therapy services, sales of beauty products, provision of consultancy services and the expiry of prepaid treatment packages respectively. The gross profit of approximately HK$4.3 million and gross profit margin of approximately 31.0% (2012: approximately 22.8%) was recorded for the period under review. The improvement of gross profit margin in that period was mainly contributed by the increase in the sales of treatment courses for therapy services with relatively higher profit margin during the period under review.

To further publicise the brand name and the image of the Target Company, the selling and distribution costs increased by approximately 212.3% to approximately HK$1.7 million from approximately HK$0.5 million in prior period. Such increase was mainly attributed to the increase of marketing expenses for placement of advertisements on different categories including (i) email marketing; (ii) print advertising; (iii) mobile social media; (iv) online advertising and channel such as online banner and keyword searching; and (v) engagement of spokesperson.

Following the expansion of the operation centre in October 2012, the administrative expenses increased by approximately 122.4% to approximately HK$2.1 million from approximately HK$1.0 million in prior period. Such increase was mainly attributed to the increase of (i) depreciation to approximately HK$0.6 million (2012: approximately HK$0.1 million); (ii) salaries to approximately HK$0.8 million (2012: approximately HK$0.3 million; (iii) rent and rates to approximately HK$0.3 million (2012: approximately HK$0.1 million; and (iv) subscription fee to approximately HK$0.1 million (2012: Nil).

The finance costs of approximately HK$0.1 million comprised of interest on bank overdraft and finance lease (2012: approximately HK$0.1 million).

The profit attributable to owner of the Target Company was approximately HK$0.5 million (2012: profit of approximately HK$1.0 million). The deterioration in results was mainly attributed to the increase in selling and distribution costs and administrative expenses during the period under review.

Business Review

During the period under review, the turnover increased by approximately 27.9% to approximately HK$14.0 million from approximately HK$10.9 million of prior period. Turnover derived from therapy services was approximately HK$11.8 million, representing approximately 84.4% of the total turnover of that period and an increase of approximately 26.3% as compared with that of previous period. Such increase was mainly contributed by the advertising and marketing effort exerted during the period under review. Turnover derived from consultancy income and sale of beauty products was approximately HK$0.6 million (2012: HK$0.3 million) and approximately HK$0.7 million (2012: HK$1.2 million) respectively, representing an increase of approximately 84.2% and a decrease of approximately 39.9% respectively. During the period under review, the Target Company derived approximately HK$0.8 million from the expiry of prepaid treatment packages in accordance with the contractual service periods stipulated in the respective sale contracts, which last for 2 years for all sale contracts.

Liquidity and financial resources

As at 30 September 2013, the Target Company had total assets of approximately HK$ 20.3 million (31 March 2013: approximately HK$16.4 million), including cash and bank balances of approximately HK$ 4.2 million (31 March 2013: approximately HK$4.2 million). The Target Company funded its operation from cash generated from its operation and bank overdraft.

Capital structure

As at 30 September 2013, the total borrowings of the Target Company amounted to approximately HK$2.6 million (31 March 2013: approximately HK$3.5 million), representing (i) the borrowing from an independent third party of approximately HK$1.4 million of which was non-interest bearing, unsecured and repayable on demand; and (ii) the obligation under finance lease of approximately HK$1.2 million.

Net current liabilities

As at 30 September 2013, the net current liabilities of the Target Company was approximately HK$11.2 million (31 March 2013: net liabilities of approximately HK$11.1 million).

The current ratio of the Target Company as at 30 September 2013 was 0.50 (31 March 2013: 0.41). The gearing ratio as at 30 September 2013, expressed as percentage of total borrowings to total assets, was 12.8% (31 March 2013: 21.4%).

The trade receivables increased by approximately 302.1% to approximately HK$1.9 million as compared to approximately HK$0.5 million as at 31 March 2013. Such increase was mainly attributed to the extension of settlement date of the revenue derived from credit card sales by the Target Company's principal banker. The deposits, prepayments and other receivables increased by approximately 74.6% to approximately HK$4.8 million as compared to approximately HK$2.8 million as at 31 March 2013. Such increase was mainly attributed to the salary and consultancy fee payment in advanced in an aggregate amount of approximately HK$2.1 million to the registered doctors stationed in the Target Company.

Charge on the group's assets

As at 30 September 2013, save as certain plant and machineries charged under finance lease, the Target Company did not have any charge on its assets.

Foreign exchange risk

The Target Company 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 September 2013, the Target Company had operating lease commitments of approximately HK$7.1 million (31 March 2013: approximately HK$9.2 million).

Contingent liabilities

As at 30 September 2013, the Target Company had no contingent liabilities (31 March 2013: Nil).

Employees

As at 30 September 2013, the Target Company had 32 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 Target Company did not enter into any new significant investment during the six months ended 30 September 2013.

Future plan for material investments and capital assets

Save for the capital expenditure for acquisition of equipment for business expansion, the Target Company does not have any concrete plan for material investments or capital assets for the coming period.

For the year ended 31 March 2013

Financial review

For the year ended 31 March 2013, the Target Company recorded a turnover of approximately HK$24.2 million, representing an increase of approximately 38.4% as compared with that of previous year, of which approximately HK$19.7 million, approximately HK$2.3 million, approximately HK$0.8 million and approximately HK$1.4 million were generated from the provision of therapy services, sales of beauty products, provision of consultancy services and the expiry of prepaid treatment packages respectively. The gross profit of approximately HK$4.4 million and gross profit margin of approximately 18.0% (2012: approximately 24.3%) was recorded for the year under review. The deterioration of gross profit margin in that year was mainly attributed to the increase of direct cost for the expansion of operation centre in October 2012 which were included in the cost of sales for the year ended 31 March 2013 and the new operation centre was not operated in full force in that year.

The selling and distribution costs increased by approximately 187.8% to approximately HK$3.5 million from approximately HK$1.2 million in prior year. Such increase was mainly attributed to the increase of marketing expenses for placement of advertisements on different categories including (i) email marketing; (ii) print advertising; (iii) mobile social media; (iv) online advertising and channel such as online banner and keyword searching; and (v) engagement of spokesperson and the one-off expenditure for the opening ceremony of the new operation centre in October 2012 of approximately HK$0.8 million.

Following the expansion of the operation centre in October 2012, the administrative expenses increased by approximately 386.4% to approximately HK$2.7 million from approximately HK$0.6 million in prior year Such increase was mainly attributed to the increase of (i) depreciation to approximately HK$0.6 million (2012: approximately HK$0.1 million); (ii) salaries to approximately HK$0.7 million (2012: approximately HK$0.1 million); (iii) donation to approximately HK$0.2 million (2012: Nil); (iv) rent and rates to approximately HK$0.2 million (2012: approximately HK$0.1 million); and (v) subscription fee to approximately HK$0.1 million (2012: Nil).

The finance costs of approximately HK$0.1 million comprised of interest on bank overdraft and finance lease (2012: approximately HK$0.1 million).

The loss attributable to owner of the Target Company was approximately HK$1.9 million (2012: profit of approximately HK$2.4 million). The deterioration in results was mainly attributed to the increase in cost of sales, selling and distribution costs, administrative expenses and other one-off expenditure for the expansion of operation centre in October 2012 which was not operated in full force in that year.

Business Review

In order to increase the market share and capacity to capture the opportunity for the potential growth of the market, the management of the Target Company decided to expand the operation centre from the size of 3,000 square feet with 9 treatment rooms to more than 7,000 square feet with 18 treatment rooms with professional and high-end style decoration equipped with advance medical equipment in October 2012. During the year under review, the turnover increased by approximately 38.4% to approximately HK$24.2 million from approximately HK$17.5 million of prior year.

Turnover derived from therapy services was approximately HK$19.7 million, representing approximately 81.4% of the total turnover of that year and an increase of approximately 34.2% as compared with that of previous year. Such increase was mainly contributed by the advertising and marketing effort exerted during the year under review. Turnover derived from consultancy income and sale of beauty products was approximately HK$0.7 million (2012: HK$0.2 million) and approximately HK$2.3 million (2012: HK$2.6 million) respectively, representing an increase of approximately 212.7% and a slight decrease of approximately 9.6% respectively. During the year under review, the Target Company derived approximately HK$1.5 million from the expiry of prepaid treatment packages in accordance with the contractual service periods stipulated in the respective sale contracts, which last for 2 years for all sale contracts.

Liquidity and financial resources

As at 31 March 2013, the Target Company had total assets of approximately HK$16.4 million (2012: approximately HK$14.5 million), including cash and bank balances of approximately HK$4.2 million (2012: approximately HK$9.8 million). The decrease in bank balances and cash was mainly attributed to the purchase of property, plant and equipment during the year. The Target Company funded its operation from cash generated from its operation and bank overdraft.

Capital structure

As at 31 March 2013, the total borrowings of the Target Company amounted to approximately HK$3.5 million (2012: approximately HK$4.2 million), representing (i) the borrowing from an independent third party of approximately HK$1.4 million of which was non-interest bearing, unsecured and repayable on demand; (ii) the obligation under finance lease of approximately HK$1.4 million; and (iii) the bank overdraft of approximately HK$0.7 million.

Net current liabilities

As at 31 March 2013, the net current liabilities of the Target Company was approximately HK$11.1 million (2012: net current liabilities of approximately HK$3.6 million).

The current ratio of the Target Company as at 31 March 2013 was 0.41 (2012: 0.75). The gearing ratio as at 31 March 2013, expressed as percentage of total borrowings to total assets, was 21.4% (2012: 28.9%).

The trade receivables increased by approximately 202.5% to approximately HK$0.5 million from approximately HK$0.2 million in prior year. Such increase was mainly attributed to increase in credit card sales during the year. The deposits, prepayments and other receivables increased by approximately 325.3% to approximately HK$2.8 million from approximately HK$0.7 million in prior year. Such increase was mainly attributed to the prepayment of selling and distribution costs of approximately HK$0.8 million and the payment of rental, management fee and rates deposits of approximately HK$1.2 million for the new operation centre opened in October 2012.

Charge on the group's assets

As at 31 March 2013, save as certain plant and machineries charged under finance lease, the Target Company did not have any charge on its assets.

Foreign exchange risk

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

Commitments

As at 31 March 2013, the Target Company had operating lease commitments of approximately HK$9.2 million (2012: approximately HK$1.7 million).

Contingent liabilities

As at 31 March 2013, the Target Company had no contingent liabilities (2012: Nil).

Employees

As at 31 March 2013, the Target Company had 24 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 Target Company did not enter into any new significant investment during the year ended 31 March 2013.

Future plan for material investments and capital assets

Save for the capital expenditure for acquisition of equipment for business expansion, the Target Company does not have any concrete plan for material investments or capital assets for the coming year.

For the year ended 31 March 2012

Financial review

For the year ended 31 March 2012, the Target Company recorded a turnover of approximately HK$17.5 million, representing an increase of approximately 267.5% as compared with that of the previous year, of which approximately HK$14.7 million, approximately HK$2.6 million and approximately HK$0.2 million were generated from the provision of therapy services, sales of beauty products and provision of consultancy services respectively. The gross profit of approximately HK$4.3 million and gross profit margin of approximately 24.3% (2011: gross loss approximately HK$1.3 million) was recorded for the year under review. The turnaround from gross loss margin to gross profit margin was contributed by the full operation of the centre in that year.

The selling and distribution costs decreased by 27.3% to approximately HK$1.2 million from approximately HK$1.7 million in prior year. Such decrease was mainly contributed by the decrease of marketing expenses in print advertising in that year.

The administrative expenses decreased by approximately 17.9% to approximately HK$0.6 million from approximately HK$0.7 million in prior year. Such decrease was mainly contributed by the decrease of salaries to approximately HK$0.1 million from approximately HK$0.2 million in prior.

The finance costs of approximately HK$0.1 million comprised of interest on bank overdraft and finance lease (2012: approximately HK$0.1 million).

The profit attributable to owner of the Target Company was approximately HK$2.4 million (2011: loss of approximately HK$3.7 million). Such improvement was resulted from the full operation of the centre in that year.

Business Review

During the year under review, the turnover increased by approximately 267.5% to approximately HK$17.5 million from approximately HK$4.8 million of prior year. Turnover derived from therapy services was approximately HK$14.7 million, representing approximately 84.0% of the total turnover of that year and an increase of approximately 273.0% as compared with that of previous year. Turnover derived from consultancy income and sale of beauty products was approximately HK$0.2 million (2011: approximately HK$0.1 million) and approximately HK$2.6 million (2011: approximately HK$0.8 million) respectively, representing an increase of approximately 18.75 times and approximately 2.17 times respectively. The significant increase in turnover was mainly resulted by the full operation of the centre and the marketing effort exerted during the year under review.

Liquidity and financial resources

As at 31 March 2012, the Target Company had total assets of approximately HK$14.5 million (2011: approximately HK$7.5 million), including cash and bank balances of approximately HK$ 9.8 million (2011: approximately HK$3.5 million). The Target Company funded its operation from cash generated from its operation and bank overdraft.

Capital structure

As at 31 March 2012, the total borrowings of the Target Company amounted to approximately HK$4.2 million (2011: approximately HK$4.1 million), representing (i) the borrowing from an independent third party of approximately HK$1.4 million of which was non-interest bearing, unsecured and repayable on demand; (ii) the obligation under finance lease of approximately HK$2.0 million; and (iii) the bank overdraft of approximately HK$0.8 million.

Net current liabilities

As at 31 March 2012, the net current liabilities of the Target Company was approximately HK$3.6 million (2011: net current liabilities of approximately HK$4.7 million).

The current ratio of the Target Company as at 31 March 2012 was 0.75 (2011: 0.48). The gearing ratio, expressed as percentage of total borrowings to total assets, was 28.9% (2011: 53.7%).

Charge on the group's assets

As at 31 March 2012, save as certain plant and machineries charged under finance lease, the Target Company did not have any charge on its assets.

Foreign exchange risk

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

Commitments

As at 31 March 2012, the Target Company had operating lease commitments of approximately HK$1.7 million (2011: approximately HK$2.8 million).

Contingent liabilities

As at 31 March 2012, the Target Company had no contingent liabilities.

Employees

As at 31 March 2012, the Target Company had 16 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 Target Company did not enter into any new significant investment during the year ended 31 March 2012.

Future plan for material investments and capital assets

Save for the capital expenditure for acquisition of equipment for business expansion, the Target Company does not have any concrete plan for material investments or capital assets for the coming years.

For the period from 17 March 2010 (date of incorporation) to 31 March 2011

Financial review

For the period from 17 March 2010 (date of incorporation) to 31 March 2011, the Target Company recorded a turnover of approximately HK$4.8 million of which approximately HK$3.9 million; approximately HK$0.8 million and approximately HK$0.1 million were generated from the provision of therapy services; sales of beauty products and provision of consultancy services respectively. The gross loss of approximately HK$1.3 million was mainly attributed to the direct costs of salaries and rental expenses incurred in the preliminary development stage of the business.

The selling and distribution costs of approximately HK$1.7 million mainly comprised of marketing expenses for placement of advertisements on different categories including (i) email marketing; (ii) print advertising; (iii) mobile social media; and (iv) online advertising and channel such as online banner and keyword searching.

The administrative expenses of approximately HK$0.7 million mainly comprised of depreciation, salaries, printing and legal and professional fees.

The finance costs of approximately HK$0.1 million comprised of interest on bank overdraft and finance lease.

The loss attributable to owner of the Target Company was approximately HK$3.7 million. Such loss was mainly attributed to the direct costs and selling and distribution costs incurred in the preliminary development stage of the business during the period under review.

Business Review

During the period under review, the turnover was approximately HK$4.8 million of which approximately HK$3.9 million was derived from therapy services, representing approximately 82.7% of the total turnover of that year. Turnover derived from consultancy income and sale of beauty products was approximately HK$0.1 million and approximately HK$0.8 million respectively.

Liquidity and financial resources

As at 31 March 2011, the Target Company had total assets of approximately HK$7.5 million, including cash and bank balances of approximately HK$3.5 million. The Target Company funded its operation from cash generated from its operation, borrowing from an independent third party, advance from a director and bank overdraft.

Capital structure

As at 31 March 2011, the total borrowings of the Target Company amounted to approximately HK$4.1 million, representing (i) the borrowing from an independent third party of approximately HK$1.4 million of which was non-interest bearing, unsecured and repayable on demand; (ii) the obligation under finance lease of approximately HK$2.6 million; and (iii) the bank overdraft of approximately HK$0.1 million.

Net current liabilities

As at 31 March 2011, the net current liabilities of the Target Company was approximately HK$4.7 million.

The current ratio of the Target Company as at 31 March 2011 was 0.48.

The gearing ratio, expressed as percentage of total borrowings to total assets, was 53.7%.

Charge on the group's assets

As at 31 March 2011, save as certain plant and machineries charged under finance lease, the Target Company did not have any charge on its assets.

Foreign exchange risk

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

Commitments

As at 31 March 2011, the Target Company had operating lease commitments of approximately HK$2.8 million.

Contingent liabilities

As at 31 March 2011, the Target Company had no contingent liabilities.

Employees

As at 31 March 2011, the Target Company had 15 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 Target Company did not enter into any new significant investment during the period ended 31 March 2011.

Future plan for material investments and capital assets

Save for the capital expenditure for acquisition of equipment for business expansion, the Target Company does not have any concrete plan for material investments or capital assets for the coming years.

I. VALUATION REPORT

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E-mail info@romagroup.com
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EDS Wellness Holdings Limited
3/F, Woo Sing Kee Industrial Building,
138 Wai Yip Street,
Kowloon, Hong Kong

Case Ref: ALKY/BVFIIA1604/NOV13(a)

Dear Sir/Madam,

Re: Valuation of 100% Equity Interest in China Honest Enterprises Limited

In accordance with the instructions from EDS Wellness Holdings Limited (hereinafter referred to as the "Company") to us to conduct a business valuation on 100% equity interest in China Honest Enterprises Limited (hereinafter referred to as the "Business Enterprise"), we are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing you with our opinion of the market value of 100% equity interest in the Business Enterprise as at 31 December 2013 (hereinafter referred to as the "Date of Valuation").

This report states the purpose of valuation, scope of work, economic and industry overviews, an overview of the Business Enterprise, basis of valuation, investigation and analysis, valuation methodology, major assumptions, information reviewed, limiting conditions, remarks and opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, Roma Appraisals Limited (hereinafter referred to as "Roma Appraisals") acknowledges that this report may be made available to the Company for public documentation purpose only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and the information provided by the management of the Company and/or its representative(s) (together referred to as the "Management").

In preparing this report, we have had discussions with the Management in relation to the development and prospect of the beauty and wellness industry, and the development, operations and other relevant information of the Business Enterprise. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise provided to us by the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

We do not express an opinion as to whether the actual results of the business operation of the Business Enterprise will approximate those projected because assumptions regarding future events by their nature are not capable of independent substantiation.

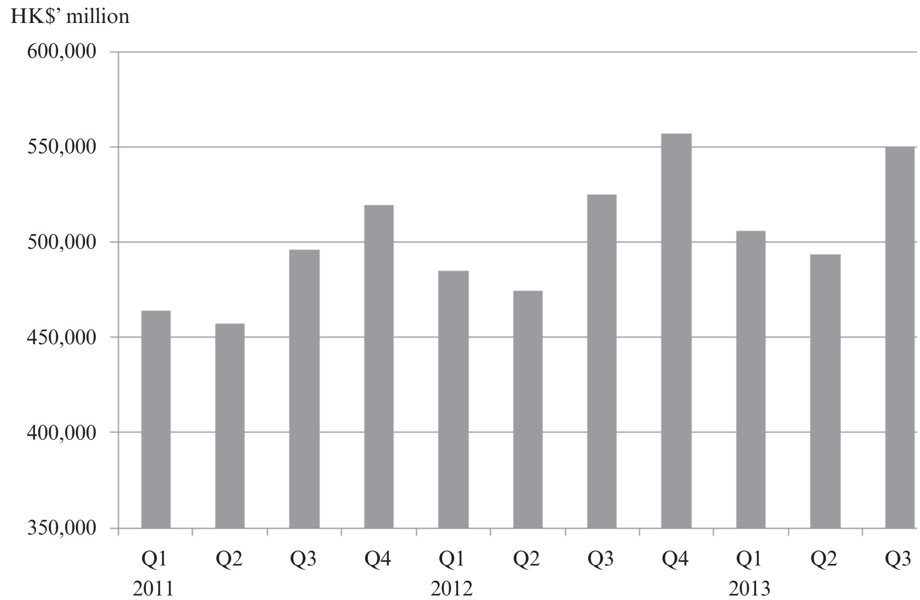
In applying these projections to the valuation of the Business Enterprise, we are making no representation that the business expansion will be successful, or that market growth and penetration will be realized.

3. ECONOMIC OVERVIEW

3.1 Overview of the Economy in Hong Kong

Hong Kong has long been a free market economy highly dependent on international trade and finance. For this reason, it was heavily exposed to the global economic turmoil that began in 2008 which resulted in a sharp drop of the nominal gross domestic product ("GDP") of Hong Kong in the first quarter of 2009. Since then, the economy of Hong Kong has been recovering. The GDP of Hong Kong in the third quarter of 2013 was approximately HKD549,729 million, an 11.4% increase over the last quarter and a 4.7% increase over the same quarter of 2012. Figure 1 and figure 2 illustrate the trend of Hong Kong's nominal GDP over the past few quarters.

Figure 1 — Hong Kong's Quarterly Nominal Gross Domestic Product from the First Quarter of 2011 to the Third Quarter of 2013



Source: *Bloomberg*

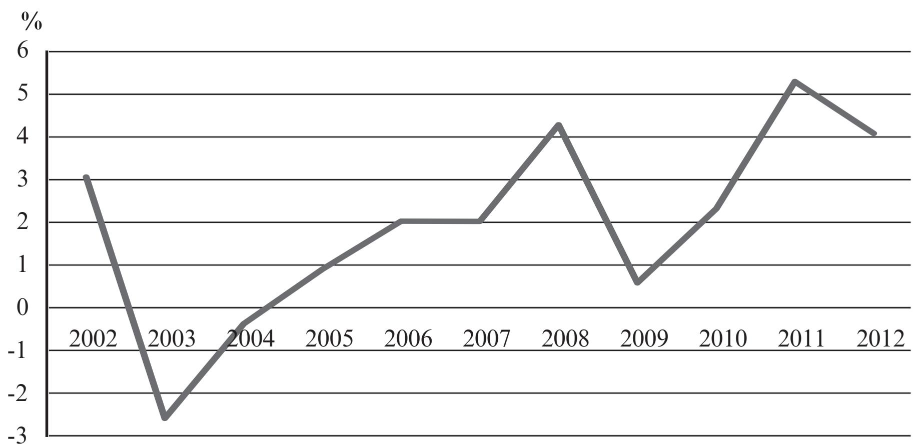
Figure 2 — Year Over Year Percentage Change of Hong Kong's Quarterly Nominal Gross Domestic Product from the First Quarter of 2011 to the Third Quarter of 2013

Source: *Bloomberg*

3.2 Inflation in Hong Kong

The inflation rate in Hong Kong was volatile in the past ten years. According to the International Monetary Fund ("IMF"), the inflation rate in Hong Kong was negative in 2002 and 2003. Since then the inflation rate was on an uptrend and reached 3.8% in 2007. Due to the global financial crisis, the inflation rate dropped in both 2008 and 2009. The inflation rate rebounded strongly in 2010, mainly caused by a sharp rise in the commodity prices in China. The inflation started to fall in 2011 slowly and reached 4.0%. The IMF forecasted that the inflation rate in Hong Kong would maintain at 3.5% from 2013 to 2018. Figure 3 shows the historical trend of Hong Kong's inflation rate from 2002 to 2012.

Figure 3 — Hong Kong's Inflation Rate from 2002 to 2012



Source: International Monetary Fund

4. INDUSTRY OVERVIEW

The beauty and wellness industry includes all companies that provide hairdressing treatments, make-up services, skin and facial care services, weight control and slimming services and other beauty and body prettifying treatments.

Over the last few decades, the beauty and wellness industry in Hong Kong has developed rapidly due to an increase in demand on beauty and wellness services. With the growing concern about personal appearance, market participants in the beauty and wellness industry imported new equipments and technologies to provide more advanced services. Apart from ordinary facial treatments and slimming programs, medical beauty treatments and therapies, such as botox and hyaluronic acid injections, pore laser treatment, hair removal laser treatment and face contour enhancement, are very popular nowadays. Some of the medical beauty treatments need to be conducted by professional doctors. The diversified services and treatments within the industry can fulfill different individuals' needs and accommodate new customers.

According to InvestHK, the number of establishments in the beauty and wellness services sector increased from 9,000 in 2010 to 9,650 in 2012 and the establishments in make-up, skin and facial care services recorded a 10% growth between 2010 and 2012. Associated with the growing industry, the number of persons engaged in the beauty and wellness industry rose from 36,800 in 2010 to 38,040 in 2012. These numbers indicate that the beauty and wellness industry in Hong Kong is thriving with a steady growing rate.

The Census and Statistics Department of the Government of the Hong Kong Special Administrative Region conducts the household expenditure survey ("HES") at five yearly intervals. The results of the HES conducted in 2009/10 shows that the average monthly household expenditure on beauty treatment and fitness services was HKD75 and the average total monthly household expenditure increased 14.5% from HKD18,884 in 2004/05 to HKD21,623 in 2009/10.

With a population of over 7 million in Hong Kong and increasing household expenditure and demand on beauty and wellness services, the beauty and wellness industry in Hong Kong has a promising future.

5. BACKGROUND OF THE BUSINESS ENTERPRISE

The Business Enterprise is a company incorporated in Hong Kong with limited liability and is principally engaged in the provision of therapy services, sales of beauty products and provision of consultancy services.

The Business Enterprise operates a medical skin care centre under the tradename COLLAGEN+ in prime area, Causeway Bay, Hong Kong, to provide a wide range of beauty and facial services, such as, skin rejuvenation, facial contour enhancement, medical slimming and body reshape and laser hair remover. The Business Enterprise also offers variety of medical skincare products and consultancy service to its customers.

The Business Enterprise was established and opened the medical skin care centre with the size of 3,000 square feet with 9 treatment rooms in Year 2010. In October 2012, the Business Enterprise expanded the medical skin care centre to current location with more than 7,000 square feet. The new medical laser skin care centre has 18 treatment rooms equipped with professional premium medical equipment and technology and high-end style decoration.

The therapy services of the Business Enterprise can be classified into four main categories, namely, skin rejuvenation, facial contour enhancement, medical slimming and body reshape and laser hair remover. These tailor-made and personalized treatment courses are complemented with different kinds of advance technologies and equipments to cater for different customer needs.

The Business Enterprise offers variety of medical skincare products, namely "Activa" targeting health and beauty-conscious customers. There are approximately 20 types of medical and skincare products distributed by the Business Enterprise.

Depending on the conditions of the customers and progress of their results, the Business Enterprise provides consultants to recommend the most suitable treatments offered by the Business Enterprise and different methods by using of different equipments.

6. BASIS OF VALUATION

Our valuation is based on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2011, **market value** is defined as "the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

7. INVESTIGATION AND ANALYSIS

Our investigation included discussions with members of the Management in relation to the development, operations and other relevant information of the Business Enterprise. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the beauty and wellness industry as we considered necessary for the purpose of the valuation.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise provided to us by the Management and have considered such information and data as attainable and reasonable. We have also consulted other sources of financial and business information.

The valuation of the Business Enterprise requires consideration of all pertinent factors, which may or may not affect the operation of the business and its ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of the Business Enterprise;
- The financial condition of the Business Enterprise;
- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market;
- Relevant licenses and agreements;
- The business risks of the Business Enterprise such as the ability in maintaining competent technical and professional personnel; and
- Investment returns and market transactions of entities engaged in similar lines of business.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of the Business Enterprise, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

8.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

8.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

8.3 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital ("equity and long term debt"). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity ("equity") and investors who lend money to the business entity ("debt"). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equals the value of the business entity.

8.4 Business Valuation

In the process of valuing the Business Enterprise, we have taken into account of the uniqueness of its operation and the nature of the beauty and wellness industry it is participating.

The Market-Based Approach was not adopted in this case because most of the important assumptions of the comparable transactions, such as discount or premium on the transaction prices or considerations, were hidden. The Asset-Based Approach was also not adopted because it could not capture the future earning potential and thus market value of the Business Enterprise. We have therefore considered the adoption of the Income-Based Approach in arriving at the market value of the Business Enterprise.

8.4.1 Discounted Cash Flow

Under the Income-Based Approach, we have adopted the discounted cash flow ("DCF") method, which is based on a simple reversal calculation to restate all future cash flows in present terms. The expected free cash flow for each year was determined as follows:

Expected Free Cash Flow = Net Profit + Depreciation + After-Tax Interest Expenses – Change in Net Working Capital – Capital Expenditure

The present value of the expected free cash flows was calculated as follows:

$$PVCF = CF_1/(1+r)^1 + CF_2/(1+r)^2 + \cdots + CF_n/(1+r)^n$$

In which
PVCF = Present value of the expected free cash flows;
CF = Expected free cash flow;
r = Discount rate; and
n = Number of years.

To adopt this method, we obtained the weighted average cost of capital ("WACC") of the Business Enterprise as a basic discount rate. WACC of the Business Enterprise is the minimum required return that the Business Enterprise must earn to satisfy its various capital providers including shareholders and debt holders. WACC calculation takes into account the relative weights of debt and equity. It is computed using the formula below:

$$WACC = W_e \text{ x } R_e + W_d \text{ x } R_d \text{ x } (1 - T_c)$$

In which
R_e = *Cost of equity;*
R_d = *Cost of debt;*
W_e = *Weight of equity value to enterprise value;*
W_d = *Weight of debt value to enterprise value; and*
T_c = *Corporate tax rate.*

8.4.2 Cost of Debt

The cost of debt was determined by the expected borrowing rate of the Business Enterprise. Since the interest expenses paid on debts are tax-deductible for the Business Enterprise, the cost of the Business Enterprise to get debt funds is less than the required rate of return of the suppliers of the debt capital. The after-tax cost of debt was calculated by multiplying one minus the corporate tax rate by the cost of debt.

8.4.3 Cost of Equity

The cost of equity was determined using the Capital Asset Pricing Model ("CAPM"), which describes the relationship between the risk of the Business Enterprise and expected return to investors. It is calculated by the following formula:

$$R_e = R_f + \beta \text{ x Market Risk Premium} + \text{Other Risk Premium}$$

In which
R_e = *Cost of equity;*
R_f = *Risk-free rate; and*
β = *Beta coefficient.*

8.4.4 Discount Rate

In the process of determining the WACC, we adopted several listed companies with business scopes and operations similar to those of the Business Enterprise as comparable companies. The comparable companies were selected mainly with reference to the following selection criteria:

- The companies are principally engaged in the provision of beauty and wellness treatment;
- The companies are operating in Hong Kong;
- The companies have sufficient listing and operating histories; and
- The financial information of the companies is available to the public.

Details of the comparable companies adopted were listed as follows:

Company Name	Stock Code	Listing Location	Business Description
Modern Beauty Salon Holdings Limited	919.HK	Hong Kong	Modern Beauty Salon Holdings Limited operates beauty salons, spas, and fitness centers. The company offers services that include beauty and facial, spa and message, slimming, and fitness services.
Water Oasis Group Limited	1161.HK	Hong Kong	Water Oasis Group Limited distributes exclusively ˜H2O+ brand skin-care products in Hong Kong, Macau, Taiwan and China. The company also operates spa centers under the Oasis Spa, Oasis Beauty, and Oasis Beauty Homme brand names.
Perfect Shape (PRC) Holdings Limited	1830.HK	Hong Kong	Perfect Shape (PRC) Holdings Limited offers slimming and beauty treatments. The company assesses its customers' needs, softens, dissolves, dredges and tightens fat, massages with fat-burning essence, applies anode and cathode electric current to initiate biological body heat, dredges away fat and cellulite through the lymphatic system, and scatters deep fat to tighten skin tissues.
Sau San Tong Holdings Limited	8200.HK	Hong Kong	Sau San Tong Holdings Limited, through its subsidiaries, sells a range of health and beauty products and provides a wide range of health and beauty services with emphasis on weight management at its slimming centers.

Source: Bloomberg

Below is the summary of the key parameters of the WACC of the Business Enterprise adopted as at the Date of Valuation:

Key Parameters		**As at 31 December 2013**
a)	Risk-free Rate	2.31%
b)	Market Expected Return	14.30%
c)	Market Risk Premium	11.99%
d)	Beta Coefficient	0.864
e)	Size Premium	3.81%
f)	Other Risk Premium	2.00%
g)	Cost of Equity	18.48%
h)	Cost of Debt	5.00%
i)	Weight of Equity Value to Enterprise Value	85.84%
j)	Weight of Debt Value to Enterprise Value	14.16%
k)	Corporate Tax Rate	16.50%
WACC		**16.45%**

Notes:

a) The risk-free rate adopted was the yield rate of Hong Kong 10-year government bond as at the Date of Valuation as extracted from Bloomberg.

b) The market expected return adopted was the average past 10-year market return in Hong Kong stock market as at the Date of Valuation as extracted from Bloomberg.

c) The market risk premium adopted was the difference between the market expected return and the risk-free rate adopted.

d) The beta coefficient adopted was the average adjusted beta of the comparable companies as at the Date of Valuation as extracted from Bloomberg.

e) The size premium adopted was the size premium for micro-cap companies with reference to the size premium study conducted by Ibbotson Associates, Inc.

f) The other risk premium adopted was to reflect the business risk and the regulatory risk of the Business Enterprise.

g) The cost of equity was determined based on Capital Asset Pricing Model ("CAPM").

h) The cost of debt adopted was the Hong Kong prime rate as extracted from Bloomberg.

i) The weight of equity value to enterprise value adopted was derived from the average debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.

j) The weight of debt value to enterprise value adopted was derived from the average debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.

k) The corporate tax rate adopted was the corporate tax rate in Hong Kong.

Hence, we adopted the WACC of 16.45% as the discount rate of the Business Enterprise as at the Date of Valuation.

8.4.5 Marketability Discount

Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. With reference to the 2013 edition of the FMV Restricted Stock Study Companion Guide, a marketability discount of 21.00% was adopted in arriving at the market value of the Business Enterprise as at the Date of Valuation.

8.4.6 Sensitivity Analysis

To determine how the different values of an independent variable would impact a particular dependent variable under a given set of assumptions, we carried out a sensitivity analysis on the market value of the Business Enterprise in respect of 1% and 2% deviation in the discount rate from the status quo. The results of the sensitivity analysis were as follows:

Change in Discount Rate	**Applied Discount Rate**	**Market Value of the Business Enterprise** *(HKD)*
+2%	18.45%	35,000,000
+1%	17.45%	38,000,000
0%	16.45%	42,000,000
-1%	15.45%	47,000,000
-2%	14.45%	52,000,000

9. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- The Business Enterprise will be operated and developed as planned by the Management;

- The valuation was mainly based on the projections of the future cash flows as provided by the Management. The projections outlined in the financial information provided are reasonable, reflecting market conditions and economic fundamentals, and will be materialized;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Business Enterprise operates or intends to operate would be officially obtained and renewable upon expiry;

- There will be sufficient supply of technical staff in the industry in which the Business Enterprise operates, and the Business Enterprise will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

- There will be no major change in the current taxation laws in the localities in which the Business Enterprise operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Business Enterprise operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Business Enterprise; and

- Interest rates and exchange rates in the localities for the operation of the Business Enterprise will not differ materially from those presently prevailing.

10. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of the Business Enterprise. The factors considered included, but were not necessarily limited to the following:

- Financial forecasts and business plan of the Business Enterprise;

- Historical financial statements of the Business Enterprise;

- Market trends of the beauty and wellness industry and other dependent industries;

- Economic outlook in Hong Kong; and

- General descriptions in relation to the Business Enterprise.

We have discussed the details with the Management. We have also conducted research from various sources to verify the reasonableness and fairness of information provided and we believe that such information is reasonable and reliable. We have assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion of value.

11. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events or circumstances have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on the information such as the company background and business nature of the Management provided to us.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on the historical and/or prospective information provided by the Management and other third parties to a considerable extent in arriving at our opinion of value. The information has not been audited or compiled by us. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownership of the Business Enterprise was in responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the business as well as the market value of the Business Enterprise.

We have not investigated the title to or any legal liabilities of the Business Enterprise and have assumed no responsibility for the title to the Business Enterprise appraised.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

12. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollars (HKD).

We hereby confirm that we have neither present nor prospective interests in the Company, the Business Enterprise and their associated companies, or the values reported herein.

13. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, the market value of 100% equity interest in the Business Enterprise as at the Date of Valuation, in our opinion, was reasonably stated as **HKD42,000,000 (HONG KONG DOLLARS FORTY TWO MILLION ONLY)**.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Kelvin Luk	**Dr. Alan W K Lee**
CVA	*BCom(Property) MFin PhD(BA)*
Director	*AAPI CPV CPV(Business)*
	Associate Director

Note:

Mr. Luk is a member of the International Association of Consultants, Valuators and Analysts (IACVA). He has over ten years of experience in business valuation and consultation.

Dr. Lee is a Certified Practising Valuer (Business) of Australian Property Institute and has over six years of experience in business valuation and consultation.

Contributors: Chris Tan, Angela Kwan, Terry Hui, Winnie Lam, Stephen Chan and Neean Chan.

II. COMFORT LETTER FROM REPORTING ACCOUNTANTS

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower,
The Landmark,
11 Pedder Street,
Central,
Hong Kong

Date: 21 March 2014

The Directors
EDS Wellness Holdings Limited
19/F., Prosperity Tower,
39 Queen's Road Central,
Central,
Hong Kong

Dear Sirs,

EDS Wellness Holdings Limited (the "Company") and its subsidiaries (collectively the "Group")

Report on discounted cash flows in connection with the business valuations of China Honest Enterprises Limited (the "Target Company")

We report on the calculations of the discounted cash flows on which the business valuation (the "Valuation") dated 21 March 2014 prepared by Roma Appraisals Limited in respect of the Valuation of the Target Company as at 31 December 2013 in connection with proposed acquisition of the entire equity interest in the Target Company. The Valuation which is determined based on the discounted cash flows is regarded as a profit forecast under Rule 19.61 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND THE REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the discounted cash flows for the valuation which is regarded as a profit forecast under paragraph 19.62 of the GEM Listing Rules.

It is our responsibility to report, as required by Rule 19.62(2) of the GEM Listing Rules, on the calculations of the discounted cash flows on which the Valuation is based. The discounted cash flows do not involve the adoption of accounting policies.

The discounted cash flows depend on future events and on a number of bases and assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Consequently, we have not reviewed, considered or conducted any work on the appropriateness and validity of the bases and assumptions and express no opinion on the appropriateness and validity of the bases and assumptions on which the discounted cash flows, and thus the Valuation, are based.

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standards on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the procedures under Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by Hong Kong Institute of Certified Public Accountants. We examined the arithmetical accuracy of the Valuation. Our work has been undertaken solely to assist the directors of the Company in evaluating whether the discounted cash flows, so far as the calculations are concerned, has been properly compiled and for no other purpose. We accept no responsibility to any other person in respect of, arising out of in connection with our work. Our work does not constitute any valuation of the Target Company.

OPINION

Based on the foregoing, in our opinion, the discounted cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Yu Chi Fat
Practising Certificate Number: P05467
Hong Kong

III. COMFORT LETTER FROM FINANCIAL ADVISERS

Nuada Limited
Corporate Finance Advisory

Unit 1805-08, 18/F, New Victory House,
93-103 Wing Lok Street,
Sheung Wan, Hong Kong
香港上環永樂街93-103號
樹福商業大廈18樓1805-08室

21 March 2014

To the Directors
EDS Wellness Holdings Limited
19/F., Prosperity Tower
No. 39 Queen's Road Central
Central
Hong Kong

Dear Sirs,

We refer to the valuation report dated 21 March 2014 as set out in Appendix IV the circular prepared by Roma Appraisals Limited ("**Roma**") in respect of the market value of China Honest Enterprises Limited (the "**Target Company**") as at 31 December 2013 (the "**Valuation Report**"). The Valuation Report has been set out in Appendix IV to the circular of EDS Wellness Holdings Limited (the "**Company**") dated 21 March 2014 (the "**Circular**").

As set out in Circular, the Valuation Report including the basis and assumptions of valuation, of which the Directors are solely responsible, has been prepared based on the discount cash flow of the Target Company made by Roma and reviewed by the directors of Company (the "**Valuation**").

We have discussed with the Directors the basis and assumptions in the Valuation Report upon which the Valuation has been made. We have also considered the letter dated 21 March 2014 issued by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong addressed to the Company, regarding whether the Valuation Report was compiled properly so far as the calculations are concerned. We are not reporting on the arithmetical calculations of the Valuation and the adoption of accounting policies thereof.

On the basis of the assumptions and calculations adopted by Roma in respect of the Valuation after properly reviewed by the Directors, we are of the view that the Valuation, for which the Directors are responsible, has been made after due and careful enquiry by the Directors.

The purpose of this letter in connection with the Valuation is solely for the purpose of strict compliance under Rule 19.62(3) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and for no other purpose and shall not be used for any other purposes without our prior written consent. We, however, accept no responsibility to any other person in respect of, arising out of or in connection with our work and express no opinion in this letter on the actual results of the Valuation as the Valuation are based on hypothesis of the future event.

Yours faithfully,
For and on behalf of
Nuada Limited
Kevin Tang
Associate Director and Responsible Officer

INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of EDS Wellness Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") (the "Unaudited Pro Forma Financial Information") have been prepared to illustrate the effect of the proposed acquisition of the 51% issued share capital and the sale loan of approximately HK$1,387,000 of China Honest Enterprises Limited (the "Target Company") (the "Acquisition") might have affected the financial information of the Group. The Group immediately after the completion of the Acquisition is referred to as the "Enlarged Group".

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared on the assumption that the Acquisition has been completed on 30 June 2013 (the "Completion Date") in the case of the unaudited pro forma consolidated statement of financial position, and on 1 July 2012 in the case of the unaudited pro forma consolidated statement of profit or loss and comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group.

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group is based on certain assumption, estimates, uncertainties and other currently available financial information, and is provided for illustrative purposes only because of its hypothetical nature, it may not give a true picture of the actual financial position and financial results of the Enlarged Group's operations that would have been attained had the Acquisition actually occurred on the dates indicated herein. Further, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position or results of operations.

(A) Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

The following is the unaudited pro forma consolidated statement of financial position of the Enlarged Group, assuming that the Acquisition has been completed on 30 June 2013. The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared based on the consolidated financial statements of the Group for the year ended 30 June 2013, which has been extracted from the annual report of the Group for the year ended 30 June 2013 and the statements of financial position of the Target Company as at 30 September 2013 as set out in Appendix II to the Circular. Such information is adjusted to reflect the effect of the Acquisition.

I. Unaudited pro forma consolidated statement of financial position

	The Group at 30 June 2013	The Target Company at 30 September 2013	Sub-total	Pro forma adjustments	Notes	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Non-current assets						
Property, plant and equipment	8,301	9,064	17,365			17,365
Goodwill	—	—	—	19,126	1	19,126
	8,301	9,064	17,365			36,491
Current assets						
Inventories	1,137	224	1,361			1,361
Trade receivables	646	1,922	2,568			2,568
Deposits, prepayments and other receivables	41,932	4,843	46,775			46,775
Bank balances and cash	1,815	4,246	6,061	(8,000)	1	(1,939)
	45,530	11,235	56,765			48,765
Current liabilities						
Amount due to a former director	64	1,387	1,451	(1,387)	1	64
Trade payables	—	130	130			130
Deferred revenue	—	17,753	17,753			17,753
Deposits from customers	455	—	455			455
Accruals and other payables	8,831	1,138	9,969	2,115	3	12,084
Obligation under finance leases	43	580	623			623
Promissory note	—	—	—	6,199	1	6,199
Other borrowing	42,400	1,400	43,800			43,800
	51,793	22,388	74,181			81,108
Net current liabilities	(6,263)	(11,153)	(17,416)			(32,343)
Total assets less current liabilities	2,038	(2,089)	(51)			4,148

	The Group at 30 June 2013 *HK$'000*	The Target Company at 30 September 2013 *HK$'000*	Sub-total *HK$'000*	Pro forma adjustments *HK$'000*	*Notes*	The Enlarged Group *HK$'000*
Non-current liabilities						
Promissory note	—	—	—	4,953	1	4,953
Obligation under finance leases	124	580	704			704
	124	580	704			5,657
Net assets/(liabilities)	1,914	(2,669)	(755)			(1,509)
Equity attributable to owners of the Company						
Share capital	131,220	1	131,221	(1)	2	131,220
Reserves	(129,306)	(2,670)	(131,976)	555	2	(131,421)
Equity attributable to owners of the Company	1,914	(2,669)	(755)			(201)
Non-controlling interests	—	—	—	(1,308)	1	(1,308)
Total equity	1,914	(2,669)	(755)			(1,509)

II. Notes to the unaudited pro forma consolidated statement of financial position

1. The pro forma adjustment represents the calculation of goodwill under the acquisition in accordance with Hong Kong Financial Reporting Standard 3 "Business Combinations" (Revised 2008) to account for the Acquisition as following:

	HK$'000
Carrying amount of the Target Company's net liabilities as at 30 September 2013 and estimated fair value of net identifiable assets and liabilities of the Target Company	2,669
Less: 49% of non-controlling interests arising from the Acquisition	(1,308)
Sale loan *(Note a)*	(1,387)
Net identifiable assets and liabilities acquired	(26)
Cash consideration	8,000
Issue of promissory notes *(Note b)*	11,152
Goodwill arising from Acquisition *(Note c)*	19,126

Notes:

a) This adjustment represented the elimination of the loan due to a director of the Target Company as at 30 September 2013. It will be assigned by the director as at the Completion Date.

b) The consideration of HK$13,420,000 will be satisfied by way of two promissory notes, which will have maturity date on 30 June 2014 and 30 June 2015 amounted HK$7,000,000 (the "PN I") and HK$6,420,000 (the "PN II") respectively and will be interest-free. The promissory notes will be classified as current liability and non-current liability respectively of the Enlarged Group. The pro-forma adjustment in respect of the promissory notes represented the fair value of the promissory notes, which was arrived at amortised cost of the promissory notes.

   The fair value of the PN I and PN II as at 30 June 2013 amounted approximately HK$6,199,000 and HK$4,953,000 respectively.

   The fair value of the promissory notes will have to be reassessed upon the Completion Date and is therefore subject to change upon the completion of the Acquisition.

c) For the purpose of the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the fair values of the identifiable assets and liabilities of China Honest as at 30 September 2013 are assumed to be equal to their carrying amounts as at 30 June 2013. The fair values of the assets and liabilities at the Completion Date of the Acquisition will be assessed upon the completion of the Acquisition and will be different, and accordingly, the amount of goodwill to be recognised is subject to change.

The directors have ensured the steps taken on the assessment of impairment on goodwill have been properly performed in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" issued by the HKICPA which is consistent with the accounting policies of the Group, taking into account the valuation of promissory notes carried out by an independent professional valuer, Roma Appraisals Limited. The Directors consider that there would be no impairment on the goodwill arising from the Acquisition as at 30 June 2013 if the Acquisition had been completed on the same date.

d) Following completion of the Acquisition, the Enlarged Group assume to have suffered a shortfall of cash and cash equivalents amounted to approximately HK$1,939,000.

On 13 February 2014, a supplemental agreement was entered into between the Company and Koffman Investment Limited in respect of granting of a loan facility up to a principal amount of HK$80,000,000 pursuant to the loan agreement dated 27 March 2012.

The shortfall in the cash and cash equivalents of the Enlarged Group is for illustrative purpose only and will therefore be improved upon the drawdown of loan and the Enlarged Group will be able to maintain its sufficient working capital afterward.

2. This adjustment represented the net effect of: (i) the elimination of share capital and pre-acquisition reserves of the Target Company in the amount of HK$1,000 and HK$2,670,000 respectively and (ii) the professional fees and expenses of approximately HK$2,115,000 relating to the Acquisition.

3. The pro forma adjustment represents the estimated professional fees and expenses attributable to the Acquisition amounting to approximately HK$2,115,000.

(B) Unaudited Pro Forma Consolidated Statement of Profit or Loss And Other Comprehensive Income of the Enlarged Group

The following is the unaudited pro forma consolidated profit or loss and other comprehensive income of the Enlarged Group, assuming that the Acquisition has been completed on 1 July 2012. The unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group is prepared based on the audited consolidated financial statements of the Group for the year ended 30 June 2013, which has been extracted from the annual report of the Group for the year ended 30 June 2013 and the audited statements of profit or loss and other comprehensive income of the Target Company for the year ended 31 March 2013 as set out in Appendix II to the circular. Such information in adjusted to reflect the effect of the Acquisition.

I. Unaudited pro forma consolidated statement of profit or loss and other comprehensive income

	The Group for the year ended 30 June 2013	The Target Company for the year ended 31 March 2013	Sub-total	Pro forma adjustments	Notes	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Turnover	8,140	24,233	32,373			32,373
Cost of sales	(11,686)	(19,872)	(31,558)			(31,558)
Gross (loss)/profit	(3,546)	4,361	815			815
Other income	9,121	27	9,148			9,148
Selling and distribution costs	(2,292)	(3,454)	(5,746)			(5,746)
Administrative expenses	(21,848)	(2,719)	(24,567)	(2,115)	5	(26,682)
Impairment loss recognised in respect of deposits, prepayment and other receivables	(1,254)	—	(1,254)			(1,254)
Finance costs	(3,749)	(100)	(3,849)	(1,272)	6	(5,121)
Loss before tax	(23,568)	(1,885)	(25,453)			(28,840)
Income tax expense	—	—	—			—
Loss for the year	(23,568)	(1,885)	(25,453)			(28,840)

	The Group for the year ended 30 June 2013	The Target Company for the year ended 31 March 2013	Sub-total	Pro forma adjustments	Notes	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
Other comprehensive income						
Item that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations	9	—	9			9
Other comprehensive income for the year	9	—	9			9
Total comprehensive expenses for the year	(23,559)	(1,885)	(25,444)			(28,831)
Loss for the year attributable to:						
Owners of the Company	(23,568)	(1,885)	(25,453)	924	4	(27,916)
				(2,115)	5	
				(1,272)	6	
Non-controlling interests	—	—	—	(924)	4	(924)
	(23,568)	(1,885)	(25,453)			(28,840)
Total comprehensive expenses for the year attributable to:						
Owners of the Company	(23,559)	(1,885)	(25,444)	924	4	(27,907)
				(2,115)	5	
				(1,272)	6	
Non-controlling interests	—	—	—	(924)	4	(924)
	(23,559)	(1,885)	(25,444)			(28,831)

II. Notes to the unaudited pro forma consolidated statement of profit or loss and comprehensive income

4. The pro forma adjustment represents the non-controlling shareholder's interest in the Target Company's loss for the year of approximately HK$924,000, being 49% on loss for the year ended 31 March 2013 of the Target Company of approximately HK$1,885,000. The adjustment is expected to have a continuing effect on the Enlarged Group.

5. The pro forma adjustment represents the estimated professional fees and expenses attributable to the Acquisition amounting to approximately HK$2,115,000. The adjustment is not expected to have a continuing effect on the Enlarged Group.

6. The pro forma adjustment represented the imputed finance cost relating to the PN I and PN II amounted to approximately HK$702,000 and HK$570,000 respectively at an effective interest rate of 12.74% per annum and 12.72% per annum respectively. The imputed finance cost is only an accounting entry and will not require any cash outflow. The adjustment is expected to have a continuing effect on the Enlarged Group.

7. As if the Acquisition was completed on 1 July 2012, there would be a goodwill arising from the Acquisition.

   For the purpose of the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group in accordance with the requirements of Hong Kong Accounting Standard 36 "Impairment of Assets", the directors of the Company consider that no impairment is required in respect of the goodwill arising from the Acquisition taking into account the business potential of the Target Company and the valuation (as set out in Appendix IV) carried out by an independent professional valuer, Roma Appraisals Limited. The reporting accountants concurred with the directors' assessment of impairment of goodwill in the Unaudited Pro Forma Financial Information of the Enlarged Group and adoption of consistent accounting policies and principal assumptions in the preparation of the consolidated financial statements of the Enlarged Group after the completion of the Acquisition. After the completion of the Acquisition, the Enlarged Group will perform annual impairment test for the cash-generating unit to which the goodwill has been allocated in accordance with the Company's accounting policies and the requirements of Hong Kong Accounting Standard 36 "Impairment of Assets", and the Company's auditors will perform audit procedures thereon in respect of their audit of the consolidated financial statements of the Enlarged Group for the next financial year in accordance with the requirements of Hong Kong Accounting Standards 36 "Impairment of Assets".

(C) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group

The following is the unaudited pro forma consolidated statement of cash flows of the Enlarged Group, assuming that the Acquisition has been completed on 1 July 2012. The unaudited pro forma consolidated statement of cash flows of the Enlarged Group is prepared based on the audited consolidated financial statements of the Group for the year ended 30 June 2013, which has been extracted from the annual report of the Group for the year ended 30 June 2013 and the audited and consolidated statements of cash flows of the Target Company for the year ended 31 March 2013 as set out in Appendix II to the circular. Such information is adjusted to reflect the effect of the Acquisition.

I. Unaudited pro forma consolidated statement of cash flows

	The Group for the year ended 30 June 2013	**The Target Company for the year ended 31 March 2013**	**Sub-total**	**Pro forma adjustments**		**The Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Operating activities						
Loss before tax	(23,568)	(1,885)	(25,453)	(2,115)	8	(28,840)
				(1,272)	10	
Adjustment for:						
Interest income	(4,553)	(1)	(4,554)			(4,554)
Interest expenses	3,749	100	3,849	1,272	10	5,121
Loss on disposal of property, plant and equipment	122	—	122			122
Gain on disposal of property, plant and equipment	(53)	—	(53)			(53)
Gain on defaulted payment of the refundable deposit	(4,500)	—	(4,500)			(4,500)
Depreciation on property, plant and equipment	1,571	1,689	3,260			3,260
Written off of deposits, prepayments and other receivables	192	118	310			310
Impairment loss recognised in respect of deposits, prepayments and other receivables	1,254	—	1,254			1,254
Written down of property, property and equipment	1,145	—	1,145			1,145

	The Group for the year ended 30 June 2013 *HK$'000*	The Target Company for the year ended 31 March 2013 *HK$'000*	Sub-total *HK$'000*	Pro forma adjustments *HK$'000*	*Notes*	The Enlarged Group *HK$'000*
Operating cash flows before movements in working capital	(24,641)	21	(24,620)			(26,735)
Decrease/(increase) in inventories	806	(11)	795			795
Increase in trade receivables	(421)	(320)	(741)			(741)
Decrease/(increase) in deposits, prepayments and other receivables	13,168	(2,121)	11,047			11,047
Increase in trade payables	—	88	88			88
(Decrease)/increase in accruals and other payables	(2,619)	493	(2,126)	2,115	8	(11)
Increase in deferred revenue	—	3,867	3,867			3,867
Decrease in deposits from customers	(96)	—	(96)			(96)
Cash (used in)/ generated from operating activities	(13,803)	2,017	(11,786)			(11,786)
Interest paid	(3,749)	(100)	(3,849)			(3,849)
Net cash (used in)/ generated from operating activities	(17,552)	1,917	(15,635)			(15,635)
Investing activities						
Net cash inflow on acquisition of a subsidiary	—	—	—	1,057	9	1,057
Proceeds from disposal of property, plant and equipment	1,814	—	1,814			1,814
Purchases of property plant and equipment	(9,744)	(6,838)	(16,582)			(16,582)
Interest received	4,553	1	4,554			4,554
Net cash used in investing activities	(3,377)	(6,837)	(10,214)			(9,157)

	The Group for the year ended 30 June 2013 *HK$'000*	The Target Company for the year ended 31 March 2013 *HK$'000*	Sub-total *HK$'000*	Pro forma adjustments *HK$'000*	*Notes*	The Enlarged Group *HK$'000*
Financing activities						
Proceeds from other borrowing	24,905	—	24,905			24,905
Repayment of other borrowing	(2,091)	—	(2,091)			(2,091)
Proceed from obligation under finance lease	150	—	150			150
Repayment of obligation under finance leases	(537)	(580)	(1,117)			(1,117)
Net cash generated from/(used) in financing activities	22,427	(580)	21,847			21,847
Net increase/(decrease) in cash and cash equivalents	1,498	(5,500)	(4,002)			(2,945)
Cash and cash equivalents at beginning of the year	308	9,057	9,365			9,365
Effect of foreign exchange rate changes	9	—	9			9
Cash and cash equivalents at end of the year	1,815	3,557	5,372			6,429
Analysis of the balances of cash and cash equivalents						
Bank balances and cash	1,815	4,224	6,039	1,057	9	7,096
Bank overdraft	—	(667)	(667)			(667)
Cash and cash equivalents at end of the year	1,815	3,557	5,372			6,429

II. Notes to the unaudited pro forma consolidated statement of cash flows

8. The pro forma adjustment represents the estimated professional fees and expenses attributable to the Acquisition amounting to approximately HK$2,115,000. The adjustment is not expected to have a continuing effect on the Enlarged Group.

9. The pro forma adjustment represents the net cash inflow as if the Acquisition has been completed on 1 July 2012:

	HK$'000
Cash consideration	(8,000)
Cash and cash equivalents of the Target Company	9,057
Net cash inflow	1,057

The adjustment is not expected to have a continuing effect on the Enlarged Group.

10. The pro forma adjustment represented the imputed finance cost relating to the PN I and PN II amounted to approximately HK$702,000 and HK$570,000 respectively at an effective interest rate of 12.74% per annum and 12.72% per annum respectively. However, the imputed finance cost is only an accounting entry and will not require any cash outflow. The adjustment is expected to have a continuing effect on the Enlarged Group.

LETTER ON UNAUDITED PRO FORMA STATEMENT OF THE ENLARGED GROUP

The following is the text of the report from HLB, prepared for the sole purpose of inclusion in this circular.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Date: 21 March 2014

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF EDS WELLNESS HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of EDS Wellness Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2013, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the period from 1 July 2012 to 30 June 2013, the unaudited pro forma consolidated statement of cash flows for the period from 1 July 2012 to 30 June 2013 and related notes as set out on pages 154 to 165 of the circular issued by the Company dated 21 March 2014 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 154 to 165 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of proposed acquisition of 51% equity interest of China Honest Enterprises Limited (the "Target Company") and sale loan of approximately HK$1,387,000 of the Target Company (the "Acquisition") on the Group's financial position as at 30 June 2013 and the Group's financial performance and cash flows for the year ended 30 June 2013 as if the event or transaction had taken place at 30 June 2013 and 1 July 2012 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows have been extracted by the Directors from the Group's consolidated financial statements for the year ended 30 June 2013, on which a audited report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong

Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of the engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2013 or 1 April 2012 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information on the Enlarged Group has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information on the Enlarged Group as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Yu Chi Fat
Practising Certificate Number: P05467
Hong Kong

(A) PROFIT FORECASTS

Profit forecasts of the Enlarged Group for the years ending 30 June 2014 and 2015

	For the year ending 30 June 2014 *Approximately*	**For the year ending 30 June 2015** *Approximately*
Forecast consolidated net profit for the year before extraordinary items and before taxation *(Note 1)*	HK$4.49 million	HK$15.55 million
Forecast consolidated net (loss)/profit for the year after extraordinary items and taxation attributable to *(Note 2)*:		
Owners of the Company	HK$(1.82) million	HK$7.27 million
Non-controlling interests	HK$0.96 million	HK$3.94 million
Unaudited pro forma forecast net (loss)/profit for the year per Share attributable to:		
Owners of the Company *(Note 3)*	HK$(13.87) cents	HK$55.40 cents

Notes:

1. The forecast consolidated net profit of the Enlarged Group for the years ending 30 June 2014 and 2015 will be approximately HK$4.49 million and approximately HK$15.55 million respectively. The basis and assumptions on which the above net profit of the Enlarged Group for the years ending 30 June 2014 and 2015 are summarized in this section below.

2. Extraordinary items to be incurred for the year ending 30 June 2014 include (i) interest income on overdue receivable in relation to a refundable deposit and prepaid legal and professional fees recovered from a debtor in an aggregate amount of approximately HK$4.97 million; (ii) write-off inventories and fixed assets of approximately HK$0.1 million; (iii) professional fees regarding resumption and debt and assets recovery of approximately HK$3.38 million; (iv) interest expenses of loan from Koffman Investment Limited of approximately HK$6.54 million.

   It is expected that provisional tax payment of the Enlarged Group for the year ending 30 June 2014 will be approximately HK$0.38 million.

   Extraordinary items to be incurred for the year ending 30 June 2015 include (i) interest income on overdue receivable in relation to a refundable deposit of approximately HK$3.13 million; (ii) professional fees regarding resumption and debt and assets recovery professional fees of approximately HK$0.15 million; (iv) interest expenses of loan from Koffman Investment Limited and Eternity in an aggregate amount of approximately HK$5.7 million.

   It is expected that provisional tax payment of the Enlarged Group for the year ending 30 June 2015 will be approximately HK$1.59 million.

3. The calculation of unaudited pro forma forecast net (loss)/profit per Share (assuming the capital reorganisation of the Company becoming effective) for the years ending 30 June 2014 and 2015 is based on the forecast consolidated gross profit attributable to the Shareholders for the year and approximately 13,122,000 Shares (assuming the capital reorganisation of the Company becoming effective) in issue upon the Capital Reorganisation becoming effective.

(B) BASIS AND ASSUMPTIONS

1. The Directors have prepared the forecast consolidated net profit attributable to the Shareholders of the Company for the years ending 30 June 2014 and 2015 which are based on (i) the audited consolidated financial statements of the Group for the year ended 30 June 2013; (ii) the audited financial statements of the Target Company for the year ended 31 March 2013 and for the six months ended 30 September 2013; (iii) the management accounts of the Target Company for the four months ended 31 January 2014; and (iv) the management accounts of the Group for the seven months ended 31 January 2014. The forecast has been prepared based on the accounting policies consistent in all material respects with those presently adopted by the Group as set out in the audited financial statements of the Company for the year ended 30 June 2013.

2. For the financial years ending 30 June 2014 and 2015 (the "**Forecast Period**"), the Group is principally engaged in the development, distribution and marketing of personal care treatment and products under the brand name "Evidens de Beauté" and the Target Company is principally engaged in the provision of therapy services, the sales of beauty products and provision of consultancy services.

   The average growth rate on revenue of the Group would be approximately 194.6% for the year ending 30 June 2014 as compared to year ended 30 June 2013 and approximately 32.94% for the year ending 30 June 2015 as compared to year ending 30 June 2014 taking into account the retail sales derived from "Evidens de Beauté" products in the existing two point of sales at "La Spa Evidens" and World Trade Centre at Causeway Bay, the retail sales derived from "Blu Spa" products in the point of sales at Mikiki and wholesales derived from "Evidens de Beauté" products and "Blu Spa" products and the following new development plans of the Group:

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

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

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

Based on the above expectations, the management estimated that the gross profit ratio of the Group is about 46.4% in the amount of approximately HK$11.1 million for the year ending 30 June 2014 and further increase to approximately 48.4% in the amount of approximately HK$15.4 million for the year ending 30 June 2015.

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

The average growth rate on revenue of the Target Company would be approximately 45.60% for the year ending 30 June 2014 as compared to year ended 31 March 2013 and approximately 11.60% for the year ending 30 June 2015 as compared to year ending 30 June 2014. The expected increase of the average revenue of the Target Company for the year ending 31 March 2014 will be mainly contributed from therapy services at the new medical skin care centre and new policies implemented by the Target Company to enhance operation efficiency, including but not limited to (i) the establishment of a customer service department ("CSD") which focuses on customer-care of the existing customers of the Target Company; and (ii) the reduction of direct costs through the revision of remuneration packages of the management of the Target Company and administrative expenses through the early termination of the tenancy agreement of an administrative office of the Target Company.

Based on the above expectations, the management estimated that the gross profit ratio of the Target Company is about 39.25% in the amount of approximately HK$13.9 million for the year ending 30 June 2014 and further increase to 41.81% in the amount of approximately HK$16.47 million for the year ending 30 June 2015.

The major expenses of the Target Company will be the costs of sales, administrative expenses and the advertising and promotion expenses including the costs on advertising, event and exhibition and sponsorship. As there will be no major business expansion of the Target Company, the management expects that the costs of sales, administrative expenses and the advertising and promotion expenses of the Target Company will not be material difference for the year ending 30 June 2014 and 30 June 2015 as compared to the year ended 30 June 2013.

3. Taking into account the financial performance of the Group for the seven months ended 31 January 2014 and the Target Company for the ten months ended 31 January 2014 and the adoption of the new measures proposed by the Directors which have effectively increased the revenue and reduced the cost of sales as well as the administration expenses of the Target Company, the management is expecting a stable growth in the Group's business as compared to the year ended 30 June 2013 and the Target Company's sales of beauty products and provision of consultancy and therapy services, including but not limited to which is the major cause to the expected increase in the forecast consolidated profit attributable to Shareholders (before extraordinary items and taxation) of the Enlarged Group in the Forecast Period as compared to the Group's consolidated loss attributable to the Shareholders for the year ended 30 June 2013.

4. The Completion Date is expected on or before 17 April 2014.

5. The Enlarged Group will be operated and developed as planned by the management of the Company.

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

7. There will be no material changes in the basis or rates of taxation, surcharges or government levies applicable to the operations of the Enlarged Group throughout the Forecast Period. The applicable rates of taxation for Hong Kong profits tax is 16.5% throughout the Forecast Period.

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

9. There will be no material unforeseen capital expenditures and no abnormal or extraordinary items will occur.

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

(C) COMFORT LETTERS

(i) Letter from the reporting accountants

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower,
The Landmark,
11 Pedder Street,
Central,
Hong Kong

Date: 21 March 2014

The Directors
EDS Wellness Holdings Limited
19/F., Prosperity Tower,
39 Queen's Road Central,
Central,
Hong Kong

Dear Sirs,

In accordance with our engagement letter dated 2 October 2013, we have performed the procedures agreed with you which are set out below on the profit forecast (the "Forecast") with respect to the memorandum of profit and working capital forecasts for the years ending 30 June 2014 and 2015 of EDS Wellness Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") dated 23 October 2013. The Forecast has been prepared by the directors of the Company (the "Directors") in connection with Appendix VI "Profit/(loss) forecasts up to the year ending 30 June 2014 and 30 June 2015 and comfort letters" to the circular (the "Circular") of the Company dated 21 March 2014. Our engagement was conducted in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The procedures were performed solely to assist you in providing the Forecast in connection with the Circular.

For the purpose of this report, the procedures performed are summarised as follows:

1. Check whether the Forecast, so far as the accounting policies and calculations are concerned, is properly compiled in accordance with the basis of the assumptions set out in the Circular;

2. Check whether the Forecast is made by the Directors, after care and consideration by the board of Directors;

3. Check whether the Forecast is made in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA; and

4. Check the arithmetical calculations of the Forecast.

Based on the information and documents made available to us, we report our findings below:

a. The Forecast, so far as the accounting policies and calculations are concerned, is properly compiled in accordance with the basis of the assumptions set out in the Circular;

b. The Forecast is made by the Directors, after care and consideration by the board of Directors;

c. The Forecast is made in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA; and

d. The arithmetical calculations of the Forecast are correct.

Because the above procedures did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA (collectively referred to as Hong Kong Assurance Standards), we do not express any assurance on the Forecast.

Had we performed additional procedures or had we performed an assurance engagement in respect of the Forecast in accordance with Hong Kong Assurance Standards, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the second paragraph of this report and is for your information only, and is not to be used for any other purpose or to be distributed to any other parties and we expressly disclaim any liability or duty to any other party in this respect. This report relates only to the items specified above and does not extend to the financial statements of the Group taken as a whole.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Yu Chi Fat
Practising Certificate Number: P05467
Hong Kong

(ii) Letter from financial advisers

Nuada Limited
Corporate Finance Advisory

Unit 1805-08, 18/F, New Victory House,
93-103 Wing Lok Street,
Sheung Wan, Hong Kong
香港上環永樂街93-103號
樹福商業大廈18樓1805-08室

21 March 2014

To the Directors
EDS Wellness Holdings Limited
19/F., Prosperity Tower
No. 39 Queen's Road Central
Central
Hong Kong

Dear Sirs,

We refer to the profit forecast and cash flow projection for the year ending 30 June 2014 and 2015 of EDS Wellness Holdings Limited (the "**Company**"), its subsidiaries and the Target Company (the "**Projections**") approved by the directors of the Company (the "**Directors**"), of which the Directors are solely responsible, prepared for the purpose of reporting solely to the Board under paragraph 29(2) of Appendix 1B of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

We have discussed with the Directors the basis and assumptions in the Projections, which are set out in section B in Appendix VI to the Circular, and have also considered the letter dated 21 March 2014 issued by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, which is set out in section C in Appendix VI to the Circular, addressed to the Directors, regarding whether the Projections was compiled properly so far as the accounting policies and calculations are concerned. We are not reporting on the arithmetical calculations of the Projections and the adoption of accounting policies thereof.

On the basis of the assumptions and calculations adopted by the Company in respect of the Projections after properly reviewed by Directors, we are of the view that the Projections, for which the Directors are responsible, has been made after due and careful enquiry.

The purpose of this letter in connection with the Projections is solely for the purpose of reporting solely to the Board under paragraph 29(2) of Appendix 1B of the GEM Listing Rules and shall not be used for any other purposes nor made public without our prior written consent. We, however, express no opinion in this letter on the actual results of the Projections as the Projections are based on hypothesis of the future event.

Yours faithfully,
For and on behalf of
Nuada Limited
Kevin Tang
Associate Director and Responsible Officer

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

2. INTERESTS OF DIRECTORS

(a) Director's and chief executive's interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives and their associates in the shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company or any of its associated corporations) and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or that was required to be recorded pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name	Nature of interest	Number of Shares held	Approximately Percentage of the Company's issued share capital
Mr. Wang Xiaofei	Beneficial owner	230,400,000	17.56%
Mr. Du Juanhong ("**Mr. Du**")	Corporate interest	106,580,000 *(Note)*	8.12%

Note:

These shares were held by Hong Kong Wintek International Co., Limited ("**Wintek**") which was wholly-owned by Mr. Du who was appointed as a non-executive Director on 5 March 2012. By virtue of the SFO, Mr. Du is deemed to be interested in the shares held by Wintek.

Save as disclosed in the preceding paragraph, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO);

or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the GEM Listing Rules.

(b) Substantial shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any member of the Group:

Name	Nature of interest	Number of Shares held	Approximately Percentage of the Company's issued share capital
Wintek *(Note)*	Beneficial owner	106,580,000	8.12%

Note:

Hong Kong Wintek International Co., Limited ("**Wintek**") is wholly-owned by Mr. Du. By virtue of the SFO, Mr. Du is deemed to be interested in the shares held by Wintek.

Save as disclosed in the preceding paragraph and so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

Pursuant to the appointment letter dated 5 March 2012 entered into between Mr. Du Juanhong and the Company, Mr. Du Juanhong was appointed as non-executive Director for a term of two years commencing from 5 March 2012. He is entitled to receive a remuneration of HK$120,000 per annum. There is no variable remuneration to be entitled by Mr. Du Juanhong under the appointment letter.

Pursuant to the appointment letter dated 5 March 2012 entered into between Mr. Chu Kin Wang, Peleus and the Company, Mr. Chu Kin Wang, Peleus was appointed as independent non-executive Director for a term of two years commencing from 5 March 2012. He is entitled to receive a remuneration of HK$120,000 per annum. There is no variable remuneration to be entitled by Mr. Chu Kin Wang, Peleus under the appointment letter.

Pursuant to the appointment letter dated 5 March 2012 entered into between Mr. Tam B Ray, Billy and the Company, Mr. Tam B Ray, Billy was appointed as independent non-executive Director for a term of two years commencing from 5 March 2012. He is entitled to receive a remuneration of HK$120,000 per annum. There is no variable remuneration to be entitled by Mr. Tam B Ray, Billy under the appointment letter.

Pursuant to the appointment letter dated 16 August 2012 entered into between Mr. Lee Chan Wah and the Company, Mr. Lee Chan Wah was appointed as executive Director for a term of two years commencing from 16 August 2012. Mr. Lee was employed as the financial controller and company secretary by the Group with effect from 6 February 2012 and 13 February 2012 respectively and has resigned as the company secretary with effect from 9 September 2013. Mr. Lee is entitled to receive remuneration under these positions. As such, he is not entitled to any fixed or variable remuneration under the appointment letter in respect of his directorship.

Pursuant to the appointment letter dated 16 August 2012 entered into between Mr. Tse Joseph and the Company, Mr. Tse Joseph was appointed as independent non-executive Director for a term of two years commencing from 16 August 2012. He is entitled to receive a remuneration of HK$120,000 per annum. There is no variable remuneration to be entitled by Mr. Tse Joseph under the appointment letter.

Save as disclosed in this section as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group and/or associated companies of the Company (i) which (including both continuous and fixed term contracts) had been entered into or amended within the Relevant Period; (ii) which were continuous contracts with a notice period of 12 months or more; or (iii) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

4. 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 the Plaintiff was in the process of applying for summary judgment against the Defendant. The hearing has 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 judgment 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, 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, 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.

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

On 31 March 2013, the Defendant defaulted on the payment of the HK$34,627,500.00 as stated in the Second Deed of Settlement. On 22 April 2013, 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.

On 30 April 2013, the Company received 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 from the Defendant. 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:

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

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

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

4. HK$12,000,000.00 being the remaining balance of the New Balance 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 in respect of, 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.

Given that a guarantee has been provided by Dutfield and the Company estimates that the proceeds from the sale of the Mortgaged Property after settling the liabilities under the First Mortgage will be sufficient to settle all the outstanding amount owing by the Defendant to the Company, the Company is optimistic on the recovery of all the outstanding amount owing by the Defendant to the Company. 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 being partial payment of the principal of HK$34,627,500 (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 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 the Defendant defaulted to settle the outstanding due to the Company, the Company applied to the Court to restore the hearing of the hearing judgment application and substitute BSHK as the plaintiff in the summary judgment application against the Defendant. 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 "Summary Judgment"), the Court adjudged that the Defendant (i) do pay the Company the sum of HK$39,127,500 together with contractual interest thereon calculated from day to day at the rate of 30% per annum from 1 May 2013 to 6 September 2013, and thereafter at judgment rate pursuant to s. 48 of High Court Ordinance until payment, i.e. 8% per annum from 7 September 2013 until payment; and (ii) shall pay the Company the costs of this action including the costs of the Company's judgment to be taxed if not agreed. The Company demanded the Defendant's immediate payment of the judgment debt. As the Defendant failed to settle the judgment debt, the Company applied to the Court for garnishee orders (the "Garnishee Orders") and charging orders (the "Charging Orders") for the recovery of the judgment debt. The hearing of the Garnishee Orders and Charging Orders was originally fixed to be heard on 6 November 2013. However, the Defendant made an application to the Court on 4 November 2013 for staying the proceedings for the Charging Orders and the Garnishee Orders and setting aside the Summary Judgment. The Company asked for the adjournment of hearing on 6 November 2013 in order to file and serve affirmation in opposition to the Defendant's application. The application for making the Charging Orders and Garnishee Orders and the Defendant's application was therefore adjourned to be heard on 5 March 2014. The Court did not make judgement at the close of the hearing and will hand down the Judgement later. As at the Latest Practicable Date, the judgement has not yet been handed down by the Court.

As at the Latest Practicable Date and save as disclosed in this section, neither the Enlarged Group was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Enlarged Group.

5. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	**Qualification**
Roma Appraisal Limited ("**Roma**")	Independent valuer
HLB Hodgen Impey Cheng Limited ("**HLB**")	Certified Public Accountants
Nuada Limited ("**Nuada**")	Financial adviser, a licensed corporation to conduct type 6 (advising on corporate finance) regulated activity under the SFO

Roma, HLB and Nuada have given and have not withdrawn their written consents to the issue of this circular with the inclusion herein of their letter and name in the form and context in which they respectively appear.

Roma, HLB and Nuada do not have any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

Roma, HLB and Nuada do not have any direct or indirect interests in any assets which have been, since 30 June 2013 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Enlarged Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group.

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, substantial shareholders of the Company, the Company's employees, proposed directors nor any of their respective associates (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause any significant competition with the business of the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by the Enlarged Group) have been entered into by the Enlarged Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

1. the second supplemental agreement dated 13 February 2014 and entered into between the Company as borrower and Koffman Investment Limited ("**Koffman**") as lender to increase of the Loan Facilities (as defined below) from HK$60,000,000 to up to an principal amount of HK$80,000,000 and extend the term of the Loan Facilities (as defined below) to 31 December 2014;

2. the extension agreement dated 31 December 2013 and entered into between the Company as borrower and Koffman as lender to extend the term of the Loan Facilities (as defined below) to 28 February 2014;

3. the loan agreement dated 17 October 2013 entered into between the Company as borrower and Koffman as lender in respect of the increase of the Loan Facilities (as defined below) from HK$50,000,000 to up to a principal amount of HK$60,000,000 provided that the Company shall further provide Koffman with a cheque drawn on a licensed bank in Hong Kong in the total amount of HK$60,000,000 dated 31 December 2013 and made payable to Koffman;

4. a further extension agreement on 10 October 2013 to confirm the mutual agreement between the Vendors and the Purchaser to further extend the long stop date of the Term Sheet from 10 October 2013 to 18 October 2013;

5. an extension agreement on 30 September 2013 to confirm the mutual agreement between the Vendors and the Purchaser to extend the long stop date of the Term Sheet from 30 September 2013 to 10 October 2013;

6. the extension agreement dated 30 August 2013 and entered into between the Company as borrower and Koffman as lender to extend the term of the Loan Facilities (as defined below) to 31 December 2013;

7. the Term Sheet, the Sale and Purchase Agreement and the Extension Letter;

8. a supply agreement (the "**Macau Agreement**") dated 8 August 2013 entered into between the EDS (Asia) Limited ("**EDS Asia**"), an indirect wholly-owned subsidiary of the Company and a member of a pharmaceutical group ("**Macau Retailer**") for 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 the 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 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;

9. the extension agreement dated 30 August 2013 and entered into between the Company as borrower and Koffman as lender to extend the term of the Loan Facilities (as defined below) to 31 December 2013;

10. the extension agreement dated 31 July 2013 and entered into between the Company as borrower and Koffman as lender to extend the term of the Loan Facilities (as defined below) to 31 August 2013;

11. the extension agreement dated 30 June 2013 and entered into between the Company as borrower and Koffman as lender to extend the term of the Loan Facilities (as defined below) to 31 July 2013;

12. the extension agreement dated 31 May 2013 and entered into between the Company as borrower and Koffman as lender to extend the term of the Loan Facilities (as defined below) to 30 June 2013;

13. the subscription agreement dated 21 March 2013 and the extension agreement dated 30 October 2013 entered into between the Company and New Cove Limited, an indirect wholly-owned subsidiary of Eternity in relation to the subscription for the zero coupon convertible bonds in principal amount of HK$40,000,000 to be issued by the Company to New Cove Limited;

14. the loan agreement dated 21 March 2013 and the extension agreement dated 30 October 2013 entered into between Hong Kong Builders Finance Limited, an indirect wholly-owned subsidiary of Eternity, as lender and the Company as borrower in respect of an unsecured loan in the principal amount of HK$40,000,000;

15. Second Deed of Settlement (please refer to sub-section headed "Litigation" in this Appendix);

16. Deed of Assignment (please refer to sub-section headed "Litigation" in this Appendix);

17. Deed of Settlement (please refer to sub-section headed "Litigation" in this Appendix);

18. Repayment Extension Agreements (please refer to sub-section headed "Litigation" in this Appendix);

19. Deed of Termination (please refer to sub-section headed "Litigation" in this Appendix);

20. the extension agreement dated 30 April 2013 and entered into between the Company as borrower and Koffman as lender to extend the term of the Loan Facilities (as defined below) to 31 May 2013;

21. the extension agreement dated 2 April 2013 and entered into between the Company as borrower and Koffman as lender to extend the term of the Loan Facilities (as defined below) to 30 April 2013;

22. the extension agreement dated 28 February 2013 and entered into between the Company as borrower and Koffman as lender to extend the term of the Loan Facilities (as defined below) to 31 March 2013;

23. the extension agreement dated 31 January 2013 and entered into between the Company as borrower and Koffman as lender to extend the term of the Loan Facilities (as defined below) to 28 February 2013;

24. the extension agreement dated 15 January 2013 and entered into between the Company as borrower and Koffman as lender to extend the term of the Loan Facilities (as defined below) to 31 January 2013;

25. the extension agreement dated 31 December 2012 and entered into between the Company as borrower and Koffman as lender to extend the term of the Loan Facilities (as defined below) to 15 January 2013;

26. the extension agreement dated 7 December 2012 and entered into between the Company as borrower and Koffman as lender to extend the term of the Loan Facilities (as defined below) to 31 December 2012;

27. the extension agreement dated 26 November 2012 and entered into between the Company as borrower and Koffman as lender to extend the term of the Loan Facilities (as defined below) to 7 December 2012;

28. the extension agreement dated 26 October 2012 and entered into between the Company as borrower and Koffman as lender to extend the term of the Loan Facilities (as defined below) to 26 November 2012;

29. the extension agreement dated 26 September 2012 and entered into between the Company as borrower and Koffman as lender to extend the term of the Loan Facilities (as defined below) to 26 October 2012;

30. the extension agreement dated 26 June 2012 and entered into between the Company as borrower and Koffman as lender to increase the Loan Facilities (as defined below) to HK$50 million and extend the term of the Loan Facilities to 26 September 2012; and

31. the loan agreement dated 27 March 2012 and ended into between the Company as borrower and Koffman as lender in respect of the loan facilities (the "**Loan Facilities**") of up to HK$20 million at the interest rate of 12% per annum for a term of three months.

7. AUDIT COMMITTEE

The Company established an audit committee, comprising of all independent non-executive Directors, namely Mr. Chu Kin Wang Peleus, Mr. Tam B Ray Billy and Mr. Tse Joseph, with written terms of reference in compliance with the GEM Listing Rules. Rule 5.28 of the GEM Listing Rules requires that the audit committee must comprise a minimum of three members with a majority of independent non-executive Directors and at least one member must have appropriate professional qualifications or accounting or related financial management expertise. The main duties of the audit committee include the followings:

(a) to review the financial statements and reports and consider any significant or unusual items raised by the financial controller, compliance officer or external auditors before submission to the Board;

(b) to review the relationship with the external auditors by reference to the work performed by the external auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of the external auditors; and

(c) to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The audit committee held four meeting during the year ended 30 June 2013, to review the financial results and reports, financial reporting and compliance procedures, report on the company's internal control and risk management review and processes as well as the re-appointment of the external auditors.

Biographical details of the members of the audit committee of the Company

Mr. Chu Kin Wang Peleus ("Mr. Chu")

Mr. Chu, aged 49, joined the Company as independent non-executive Director on 5 March 2012. He is also the chairman of each of the audit committee, remuneration committee and nomination committee and a member of the special investigation committee of the Company. Mr. Chu has over 20 years of experience in corporate finance, auditing, accounting and taxation. He graduated from the University of Hong Kong with a Master Degree in Business Administration. Mr. Chu is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also an associate member of both the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Mr. Chu is an executive director of Chinese People Holdings Company Limited (stock code: 681), a company listed on the Main Board of the Stock Exchange, since 2008. He is also an independent non-executive director of each of EYANG Holdings (Group) Co., Limited (stock code: 117), Huayu Expressway Group Limited (stock code: 1823), Flyke International Holdings Limited (stock code: 1998) and China Vehicle Components Technology Holdings Limited (stock code: 1269), all the companies are listed on the Main Board of the Stock Exchange, since 2007, 2009, 2010 and 2011 respectively and Telecom Service One Holdings Limited (stock code: 8145), a company listed on the GEM Board of the Stock Exchange, since 2013. During the period from January 2008 to August 2010, he was an independent non-executive director of Sustainable Forest Holdings Limited (formerly known as "Bright Prosperous Holdings Limited") (stock code: 723), a company listed on the Main Board of the Stock Exchange. He was also the company secretary of Sun Century Group Limited (formerly known as "Hong Long Holdings Limited") (stock code: 1383), a company listed on the Main Board of the Stock Exchange, responsible for corporate finance, financial reporting and compliance and company secretarial matters from 2007 to 2010.

Mr. Tam B Ray Billy ("Mr, Tam")

Mr. Tam, aged 45, joined the Company as an independent non-executive Director on 5 March 2012. He is also a member of each of the audit committee, the nomination committee and the special investigation committee of the Company. Mr. Tam has been a practicing solicitor in Hong Kong for over 15 years. He holds a Bachelor of Laws degree from the University of London, a Bachelor degree in laws of the People's Republic of China from Tsinghua University and a Master of Laws degree from the University of Hong Kong. Mr. Tam is currently a partner of Messr. Ho & Tam. He is the independent non-executive directors of China fortune Financial Group Limited (stock code: 290), a company listed on the Main Board of the Stock Exchange, since

2007, and M Dream Inworld Limited (stock code: 8100) and China Natural Investment Company Limited (stock code: 8250), both of which are listed on GEM of the Stock Exchange, since 2010 and 2011 respectively. Mr. Tam is also non-executive directors of Larry Jewelry International Company Limited (stock code: 8351), a company listed on GEM of the Stock Exchange, since 2010, and Milan Station Holdings Limited (stock code: 1150), a company listed on the Main Board of the Stock Exchange, since 2011.

Mr. Tse Joseph ("Mr. Tse")

Mr. Tse, aged 39, joined the Company as independent non-executive Director on 16 August 2012. He is also a member of each of the audit Committee, remuneration committee and special investigation committee of the Company. Mr. Tse has extensive experiences in finance and accounting. He holds a Bachelor of Commerce-Accounting degree from the University of New South Wales and a Master degree in Financial Management from the University of London. Mr. Tse has worked in several banks such as The Bank of East Asia, Limited and The Hongkong and Shanghai Banking Corporation Limited.

8. GENERAL

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

(b) The branch share registrar and transfer office of the Company in Hong Kong is 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong.

(c) The compliance officer of the Company is Mr. Yu Zhen Hua Johnny.

(d) The company secretary of the Company is Ms. So Man Yee.

(e) The business address of the Company is 19/F., Prosperity Tower, No. 39 Queen's Road Central, Central, Hong Kong.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours from 9:30 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:30 p.m. on any weekday (except for Saturday and public holidays) at the head office and principal place of business of the Company in Hong Kong at 19/F., Prosperity Tower, No. 39 Queen's Road Central, Central, Hong Kong; and (ii) on the website of the Company at http://www.eds-wellness.com between the period from the date of this circular to the date of EGM (both days inclusive).

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for each of the two years ended 30 June 2012 and 30 June 2013;

(c) the interim report of the Company for the six months ended 31 December 2013;

(d) the first quarterly report of the Company for the three months ended 30 September 2013;

(e) the interim report of the Company for the six months ended 31 December 2012;

(f) the third quarterly report of the Company for the nine months ended 31 March 2013;

(g) the letter from the Board, the text of which is set out in this circular;

(h) the valuation report as disclosed in Appendix IV in this circular;

(i) the letter of comfort in relation to the profit forecasts of the Group issued by auditors and financial advisers of the Company as disclosed in Appendix VI in this circular;

(j) the material contracts as referred to in the paragraph headed "Material contracts" in this appendix;

(k) the written consent referred to in the paragraph headed "Expert and consent" in this appendix;

(l) the appointment letters referred to in the section headed "Directors' service contracts" in this appendix; and

(m) this circular.

EDS Wellness Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8176)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of EDS Wellness Holdings Limited (the "**Company**") will be held at 3/F, Woo Sing Kee Industrial Building, 138 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong on Tuesday, 8 April 2014 at 11:30 a.m. for the purposes of considering and, if thought fit, passing the following resolution with or without amendments as resolutions of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the agreement dated 18 October 2013 (as amended by an extension letter dated 18 March 2014) (collectively the "**Agreements**") and entered into amongst Ms. Chan Suk Yee, Deon ("**Ms Chan**") and Mr. Lai Wing Nok as vendors (the "**Vendors**") and EDS International Holdings Limited ("**EDS International**"), a direct wholly-owned subsidiary of the Company, as purchaser in relation to the sale and purchase of 51 shares of HK$1.00 each (the "**Sale Shares**") in the issued share capital of China Honest Enterprises Limited (the "**Target Company**"), representing 51% of the issued share capital of the Target Company and the amount owing as at the date of completion by the Target Company to the Vendors in respect of loans repayable on demand made by the Vendors to the Target Company and all obligations, liabilities and debts owing or incurred by the Target Company to the Vendors on or at any time prior to completion whether actual, contingent or deferred and irrespective of whether the same is due and payable on completion (the "**Sale Loan**"), for a total consideration of HK$21,420,000 (subject to adjustments according to the terms of the Agreements) (copies of the Agreements are marked "**A**" and produced to the EGM and signed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved;

(b) the issue of the promissory notes (the "**Promissory Notes**") in the aggregate principal amount of HK$13,420,000 by the Company to the Vendors as part of the consideration for the Sale Shares and the Sale Loan pursuant to the terms and conditions of the Agreements be and are hereby approved;

(c) the entering into of the shareholders' agreement (the "**Shareholders' Agreement**") by EDS International with Ms. Chan and the Target Company pursuant to the terms and conditions of the Agreements and the transactions contemplated thereunder be and are hereby approved;

(d) the entering into of the loan agreement (the "**Loan Agreement**") by EDS International as lender and the Target Company as borrower in relation to the provision of a loan in the principal amount of HK$10,000,000 as general working capital of the Target Company pursuant to the terms and conditions of the Agreements and the transactions contemplated thereunder be and are hereby approved; and

(e) any one or more director(s) of the Company be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal) which he/she/they consider necessary or expedient to give effect to the Agreements and the transactions contemplated thereunder including but not limited to the issue of the Promissory Notes and the entering into of the Shareholders' Agreement and the Loan Agreement."

Yours faithfully
For and on behalf of the Board of
EDS Wellness Holdings Limited
Yu Zhen Hua Johnny
Chairman

Hong Kong, 21 March 2014

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
19/F., Prosperity Tower
No. 39 Queen's Road Central
Central, Hong Kong

Notes:

1. A member entitled to attend and vote at the extraordinary general meeting convened by the above notice is entitled to appoint one or, if he is a holder of more than one share, more proxies to attend and, subject to the provisions of the articles of association, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the extraordinary general meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the extraordinary general meeting is enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the extraordinary general meeting or any adjournment thereof, should he so wish and in such event, the proxy shall be deemed to be revoked.

3. In the case of joint holders of shares, any one of such holders may vote at the extraordinary general meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the extraordinary general meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

4. The resolutions proposed to be approved at the extraordinary general meeting of the Company will be decided by poll.