THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this Composite Document, accompanying Form of Share Acceptance, the Offer or as to the action(s) to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your securities in **EDS**, you should at once hand this Composite Document and the accompanying Form of Share Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for onward transmission to the purchaser(s) or the transferee(s). This Composite Document should be read in conjunction with the accompanying Form of Share Acceptance, the contents of which form part of the terms and conditions of the Offer.

Xing Hang Limited
興航有限公司
(Incorporated in the British Virgin Islands with limited liability)

EDS
EDS Wellness Holdings Limited

EDS Wellness Holdings Limited
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 8176)

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO UNCONDITIONAL MANDATORY CASH OFFER BY

KINGSTON SECURITIES

ON BEHALF OF XING HANG LIMITED
FOR ALL ISSUED ORDINARY EDS SHARES
(OTHER THAN THOSE EXCLUDED EDS SHARES)

Financial adviser to Xing Hang Limited

KINGSTON CORPORATE FINANCE

Financial adviser to EDS Wellness Holdings Limited

REORIENT 瑞東

REORIENT Financial Markets Limited

Independent Financial Adviser to the Independent Board Committee of EDS Wellness Holdings Limited

Investec

Capitalised terms used on this cover page shall have the same meanings as those defined in this Composite Document.

A letter from Kingston Securities containing, among other things, principal terms of the Offer is set out on pages 10 to 23 of this Composite Document.

A letter from the EDS Board is set out on pages 24 to 32 of this Composite Document.

A letter from the Independent Board Committee to Independent EDS Shareholders containing its recommendation to the Independent EDS Shareholders in respect of the Offer is set out on pages 33 and 34 of this Composite Document. A letter from Investec containing its recommendation to the Independent Board Committee in respect of the Offer and the principal factors considered by it in arriving at its recommendation is set out on pages 35 to 58 of this Composite Document.

The procedures for acceptance and other related information in respect of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Share Acceptance. Form of Share Acceptance should be received by the Registrar as soon as possible and in any event not later than 4:00 p.m. on Friday, 11 December 2015 (or such later time and/or date as Xing Hang may determine and Xing Hang and EDS may jointly announce, with the consent of the Executive, in accordance with the Takeovers Code).

20 November 2015

CONTENT

The timetable set below is indicative only and may be subject to change. Any changes to this timetable will be jointly announced by Xing Hang and EDS as and when appropriate.

Despatch date of this Composite Document and the accompany Form of Share Acceptance and commencement date for acceptance of the Offer .... Friday, 20 November 2015

Latest time and date for acceptance of the Offer *(Note 1)* .... 4:00 p.m. on Friday, 11 December 2015

Closing Date *(Note 1)* ....Friday, 11 December 2015

Announcement of the results of the Offer and the level of acceptances or as to whether the Offer has been revised or extended uploaded on the websites of the Stock Exchange and EDS *(Note 1)*...............By 7:00 p.m. on Friday, 11 December 2015

Latest date for posting of remittances to the Independent EDS Shareholders in respect of valid acceptances under the Offer *(Note 2)* ... Tuesday, 22 December 2015

Notes:

The Offer, which is unconditional, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until the Closing Date.

1. In accordance with the Takeovers Code, the Offer must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The Offer will be closed for acceptance at 4:00 p.m. on Friday, 11 December 2015 unless Xing Hang revises or extends the Offer in accordance with the Takeovers Code. Xing Hang and EDS will jointly issue an announcement through the websites of the Stock Exchange and EDS by no later than 7:00 p.m. on Friday, 11 December 2015 stating whether the Offer has been extended, revised or expired. In the event that Xing Hang decides to revise or extend the Offer, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent EDS Shareholders who have not accepted the Offer. Acceptances of the Offer are irrevocable and are not capable of being withdrawn, except in the circumstances as set out in the section headed "Right of Withdrawal" in Appendix I to this Composite Document.

2. Remittances in respect of the consideration (after deducting the seller's ad valorem stamp duty) payable under the Offer will be despatched to the accepting Independent EDS Shareholders by ordinary post at their respective addresses as they appear on the register of members of EDS at their own risk as soon as possible, but in any event within seven Business Days after the date of receipt by the Registrar of a duly completed Form of Share Acceptance in accordance with the Takeovers Code.

3. All references to date and time contained in this Composite Document and the Form of Share Acceptance refer to Hong Kong dates and time.

4. If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:

   (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer, the latest time for acceptance of the Offer will remain at 4:00 p.m. on the same day, and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances will remain unchanged; or

   (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. on the following Business Day, and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances will accordingly be rescheduled to the following Business Day.

Save as mentioned above, if the latest time for acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. Xing Hang and EDS will notify the Independent EDS Shareholders by way of announcement(s) on any change to the expected timetable as soon as possible.

In this Composite Document, unless the context otherwise requires, the following expressions have the meanings set out below:

"acting in concert"	has the same meaning as ascribed to it under the Takeovers Code
"associate(s)"	has the same meaning as ascribed to it under the Takeovers Code or the GEM Listing Rules, as the context may require
"Business Day"	a day on which the Stock Exchange is open for the transaction of business
"Bye-laws"	the bye-laws of EDS
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Circular"	the circular of EDS dated 7 October 2015 in relation to, among others, the Subscription, the Specific Mandate, the Master Supply Agreement, the Redesignation Resolution and the amendment to the existing Bye-laws
"close associate(s)"	has the same meaning as ascribed to it under the GEM Listing Rules
"Closing Date"	Friday, 11 December 2015, the closing date of the Offer, or if the Offer is extended, any subsequent closing date(s) as may be determined by Xing Hang and jointly announced by Xing Hang and EDS, with the consent of the Executive, in accordance with the Takeovers Code
"Completion"	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
"Completion Date"	6 November 2015, the date on which Completion occurred
"Composite Document"	this composite offer and response document in respect of the Offer jointly issued by Xing Hang and EDS in accordance with the Takeovers Code
"Conversion Shares"	the new Ordinary EDS Shares to be issued by EDS upon conversion of the Preferred Shares pursuant to the terms and conditions of the Preferred Shares

"core connected person(s)"	has the meaning as ascribed to it under the GEM Listing Rules
"Deed of Charge and Assignment"	pursuant to the Term Loan Agreement, the deed of charge and assignment in relation to 179,921,200 Ordinary EDS Shares executed by Xing Hang (as borrower) in favour of Success Far (as chargee) on 17 February 2015
"Donica"	Shenzhen Donica Electronic Technology Co., Ltd., a company established in the PRC and 41.9825% owned by Mr. Cai Zhaoyang (who is the majority shareholder and the sole director of Xing Hang), 18.75% by Mr. Xie Yuehui, 17.625% by Mr. Lin Fan (who is a minority shareholder of Xing Hang), 12% by Mr. Jin Yi, 6.5175% by Mr. Li Chengjun and 3.125% by Mr. Guo Pengcheng (who is a minority shareholder of Xing Hang)
"EDS"	EDS Wellness Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda as an exempted company, the issued shares of which are listed on GEM
"EDS Board"	the board of EDS Directors
"EDS Director(s)"	the director(s) of EDS
"EDS Group"	collectively, EDS and its subsidiaries
"EDS SGM"	the special general meeting of EDS held on 30 October 2015, in which resolutions for (among others) the Subscription Agreement, the grant of the Specific Mandate, the Master Supply Agreement, the Redesignation Resolution and the amendment to the existing Bye-laws were passed by the Independent EDS Shareholders
"EDS Shareholder(s)"	holder(s) of the Ordinary EDS Share(s)
"Eternity"	Eternity Investment Limited, 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
"Eternity Group"	collectively, Eternity and its subsidiaries

"Excluded EDS Shares"	Ordinary EDS Shares owned by Xing Hang and parties acting in concert with it, including the 345,000,000 Ordinary Subscription EDS Shares held by Xing Hang and the other Subscribers, the 36,500,000 Ordinary EDS Shares in respect of which the Eternity Group has undertaken not to accept the Offer and the 96 Ordinary EDS Shares held by Kingston Securities (being an agent to make the Offer) (but for the avoidance of doubt does not include the 16,000,000 Ordinary EDS Shares held by the Eternity Group)
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
"First Bonus"	First Bonus International Limited, a company incorporated in the British Virgin Islands with limited liability
"Form of Share Acceptance"	the **WHITE** form of acceptance and transfer in respect of the Offer accompanying this Composite Document
"Funding Undertaking"	the irrevocable funding undertaking dated 4 March 2015 entered into by Mr. Ko Chun Shun, Johnson in favour of Xing Hang in respect of Mr. Ko Chun Shun, Johnson's undertakings to provide funding to Success Far
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM as amended and modified from time to time
"Goldenland"	Goldenland Mining & Investment Limited, a company incorporated in the British Virgin Islands with limited liability
"High Aim"	High Aim Global Limited, a company incorporated in the British Virgin Islands with limited liability
"High Aim Loan Agreement"	the loan agreement entered into between Xing Hang (as borrower) and High Aim (as lender) dated 17 February 2015 in respect of the loan granted by High Aim to Xing Hang for the purpose of financing the cash consideration payable by Xing Hang under the Offer
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the EDS Board established by the EDS Board, comprising all the independent non-executive EDS Directors, namely Mr. Tam B Ray, Billy, Mr. Chu Kin Wang, Peleus and Mr. Tse Joseph, to advise the Independent EDS Shareholders in respect of the Offer
"Independent EDS Shareholders"	(i) for the purpose of the Subscription, the Specific Mandate, the Master Supply Agreement, the Redesignation Resolution and the amendment to the existing Bye-laws, EDS Shareholders other than the Subscribers, their respective associates and other EDS Shareholders who have a material interest in any of the Subscription, the Specific Mandate, the Master Supply Agreement, the Redesignation Resolution and the amendment to the existing Bye-laws; and (ii) for the purpose of the Offer, EDS Shareholders other than the Subscribers and parties acting in concert with Xing Hang
"Independent Financial Adviser" or "Investec"	Investec Capital Asia Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee in respect of the Offer
"In-flight WLAN and WIFI Equipment"	certain WLAN and WIFI equipment to be supplied by Donica to EDS under the Master Supply Agreement which allows connection to the internet which is commonly referred to as WIFI connection
"Joint Announcement"	the announcement jointly issued by EDS, Xing Hang and Eternity dated 15 April 2015 in relation to, among others, the Subscription, the Specific Mandate, the Master Supply Agreement, the Redesignation Resolution, the amendment to the existing Bye-laws and the Offer
"Kingston Corporate Finance"	Kingston Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to Xing Hang in respect of the Offer
"Kingston Securities"	Kingston Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activities under the SFO which is making the Offer on behalf of Xing Hang

"Last Full Trading Day"	13 February 2015, being the last full trading day of the Ordinary EDS Shares immediately prior to the date of the Joint Announcement
"Last Trading Day"	16 February 2015, being the last trading day of the Ordinary EDS Shares immediately prior to the date of the Joint Announcement, on which trading in Ordinary EDS Shares was halted at 2:45 p.m.
"Latest Practicable Date"	18 November 2015, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
"Long Stop Date"	31 October 2015 (or such other date as may be agreed by the parties to the Subscription Agreement in writing), being the latest date for fulfillment or waiver (as applicable) of the conditions precedent to Completion
"Macau"	Macau Special Administrative Region of the PRC
"Master Supply Agreement"	the master supply agreement dated 6 November 2015 entered into between EDS and Donica in respect of the sale and purchase of the In-flight WLAN and WIFI Equipment and the provision of related installation and maintenance services, the details of which are set out in the Circular
"New Cove"	New Cove Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Eternity
"Offer"	the unconditional mandatory cash offer to be made by Kingston Securities on behalf of Xing Hang to acquire the Offer Shares at the Offer Price
"Offer Non-Acceptance Undertaking"	the deed of undertaking dated 17 February 2015 entered into by Eternity, Goldenland, Silver Empire, Truly Elite, High Aim and First Bonus in favour of Xing Hang in respect their respective undertakings not to accept the Offer as described in the section headed "Letter from Kingston Securities — Undertakings in relation to the Offer" of this Composite Document

"Offer Period"	the period commencing from 21 January 2015 (being the date of the initial announcement of EDS in respect of a possible change in control of EDS) to 4:00 p.m. on the Closing Date, or such other time and/or date to which Xing Hang may decide to extend or revise the Offer in accordance with the Takeovers Code
"Offer Price"	the amount of HK$4.07 per Offer Share
"Offer Share(s)"	all the issued Ordinary EDS Shares, (other than the Excluded EDS Shares) which are subject of the Offer
"Open Offer"	the open offer of EDS issuing 19,061,000 new Ordinary EDS Shares at a subscription price of HK$3.00 per Ordinary EDS Share as detailed in the prospectus of EDS dated 17 July 2014
"Ordinary EDS Share(s)"	the ordinary share(s) of par value of HK$0.10 each in the issued share capital of EDS
"Ordinary Subscription EDS Shares"	345,000,000 new Ordinary EDS Shares, in aggregate, which were issued to the Subscribers at Completion
"Overseas EDS Shareholder(s)"	the EDS Shareholder(s) whose address(es), as shown on the register of members of EDS, is/are outside Hong Kong
"PRC" or "China"	the People's Republic of China, which for the purpose of this Composite Document only (unless otherwise indicated) excludes Hong Kong, Macau and Taiwan
"Preferred Shares"	new preferred shares of par value of HK$0.10 each in the share capital of EDS created pursuant to the Redesignated Resolution
"Previous Convertible Bonds"	the non-interest bearing convertible bonds with a total principal amount of HK$40,000,000 and convertible into 40,000,000 Ordinary EDS Shares issued by EDS on 22 May 2014 and held by New Cove (further details of the issue of the Previous Convertible Bonds are disclosed in EDS's announcements dated 21 March 2013, 30 October 2013 and 22 May 2014 and EDS's circular dated 23 May 2013)

"Qualifications"	certifications and/or approvals issued by the Civil Aviation Administration of China and/or the relevant quality certification bodies and/or any other relevant authorities to approve the in-flight WIFI communication equipment designed and/or manufactured by the holder of the certificates and/or approvals to be used on airplanes in the PRC
"Redesignation Resolution"	the ordinary resolution passed by the Independent EDS Shareholders at the EDS SGM for reclassifying and redesignating the existing authorized share capital of EDS of HK$500,000,000 comprising 5,000,000,000 Ordinary EDS Shares of par value of HK$0.10 each into HK$500,000,000 comprising (i) 4,950,000,000 Ordinary EDS Shares of par value of HK$0.10 each; and (ii) 50,000,000 Preferred Shares of par value of HK$0.10 each
"Registrar"	Tricor Secretaries Limited, the Hong Kong branch share registrar and transfer office of EDS, with its registered address at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
"Relevant Period"	the period commencing from 21 July 2014, being the date falling six months before 21 January 2015 (being the date of the initial announcement of EDS in respect of a possible change in control of EDS), up to and including the Latest Practicable Date
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"Share Option Scheme"	the share option scheme adopted by EDS on 7 November 2014
"Silver Empire"	Silver Empire Holding Limited, a company incorporated in the British Virgin Islands with limited liability
"Specific Mandate"	the specific mandate granted by the Independent EDS Shareholders to the EDS Board at the EDS SGM for the allotment and issue of the Ordinary Subscription EDS Shares, the Preferred Shares and the Conversion Shares

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber(s)"	collectively, Xing Hang, Goldenland, Silver Empire, Truly Elite, High Aim and First Bonus, or any of them as the contexts may suggest
"Subscribers' Lock-Up Undertaking"	the deed of undertaking dated 17 February 2015 entered into by the Subscribers in favour of Eternity in respect of their respective lock-up undertakings as described in the section headed "Letter from Kingston Securities — Lock-up undertakings in relation to the Subscription Shares" of this Composite Document
"Subscription"	the subscription of the Ordinary Subscription EDS Shares and Preferred Shares by the Subscribers under the Subscription Agreement
"Subscription Agreement"	the subscription agreement (as amended and supplemented by the Supplemental Agreements) in respect of the Subscription entered into between EDS and the Subscribers dated 17 February 2015
"Subscription Price"	HK$0.40 per Subscription Share
"Subscription Shares"	collectively, the Ordinary Subscription EDS Shares and the Preferred Shares
"Success Far"	Success Far Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which is owned as to approximately 20.85% by Silver Empire, 22.93% by Truly Elite, 25% by Goldenland and 31.22% by High Aim
"Supplemental Agreements"	collectively, the supplemental agreements entered into on 19 June 2015 and 28 August 2015 respectively by the parties to the Subscription Agreement to extend the Long Stop Date from 19 June 2015 to 31 August 2015 and further extend the Long Stop Date from 31 August 2015 to 31 October 2015, respectively
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC as amended from time to time
"Term Loan Agreement"	the term loan agreement entered into between Xing Hang (as borrower) and Success Far (as lender) dated 17 February 2015 under which Success Far provided a loan of HK$71,968,480 to Xing Hang to finance its part of the Subscription (further details are disclosed in the Joint Announcement and the Circular)

"Trading Day"	a day on which the Ordinary EDS Shares are traded on the Stock Exchange
"Transaction Documents"	collectively, the Subscription Agreement, the Term Loan Agreement, the Deed of Charge and Assignment, the Funding Undertaking, the Xing Hang's Lock-Up Undertaking, the Subscribers' Lock-Up Undertaking, the Offer Non-Acceptance Undertaking, the High Aim Loan Agreement and the guarantee dated 17 February 2015 entered into by Mr. Cai Zhaoyang in favour of High Aim in respect of Xing Hang's obligation under the High Aim Loan Agreement
"Truly Elite"	Truly Elite Limited, a company incorporated in the British Virgin Islands with limited liability
"WIFI"	Wireless Fidelity, a set of standards for WLAN based on the IEEE 802.11 specifications developed by the Institute of Electrical and Electronics Engineers, an independent non-profit organization based in the United States of America for establishing standards for computers formats and devices
"WLAN"	wireless local area network
"Xing Hang"	Xing Hang Limited, a company incorporated in the British Virgin Islands with limited liability
"Xing Hang's Lock-Up Undertaking"	the deed of undertaking dated 17 February 2015 entered into by Xing Hang in favour of EDS in respect of its lock-up undertakings as described in the section headed "Letter from Kingston Securities — Lock-up undertakings in relation to the Subscription Shares" of this Composite Document
"%"	per cent

Certain amounts and percentage figures in this Composite Document have been subject to rounding adjustment.

KINGSTON SECURITIES

20 November 2015

To the Independent EDS Shareholders

Dear Sir or Madam,

UNCONDITIONAL MANDATORY CASH OFFER BY

KINGSTON SECURITIES

ON BEHALF OF XING HANG LIMITED
FOR ALL ISSUED ORDINARY EDS SHARES
(OTHER THAN THOSE EXCLUDED EDS SHARES)

A. INTRODUCTION

References are made to the Joint Announcement and the Circular.

On 17 February 2015, EDS and the Subscribers entered into the Subscription Agreement, pursuant to which the Subscribers had conditionally agreed to subscribe for, and EDS had conditionally agreed to allot and issue, a total of 375,000,000 Subscription Shares, comprising 345,000,000 Ordinary EDS Shares and 30,000,000 Preferred Shares to the Subscribers, at an issue price of HK$0.40 per Subscription Share.

On 30 October 2015, the Subscription Agreement and the grant of the Specific Mandate, among others, were approved by the Independent EDS Shareholders at the EDS SGM.

Completion of the Subscription took place on 6 November 2015, upon which Xing Hang and parties acting in concert with it became interested in 397,500,096 Ordinary EDS Shares (without taking into account any Conversion Shares which may be issued upon conversion of any of the 30,000,000 Preferred Shares), representing approximately 94.69% of the number of Ordinary EDS Shares in issue as at the Completion Date and the Latest Practicable Date. Pursuant to Rule 26.1 and Rule 13.1 of the Takeovers Code, Xing Hang and parties acting in concert with it are required to make an unconditional mandatory cash offer for all the Offer Shares, being all the issued Ordinary EDS Shares (other than the Excluded EDS Shares). For the avoidance of doubt, the Offer will not be extended to: (i) the other Subscribers in respect of the Subscription Shares; (ii) Kingston Securities in respect of the 96 Ordinary EDS Shares held by it; and (iii) Eternity in respect of 36,500,000 Ordinary EDS Shares held by the Eternity Group, whilst the Offer will be extended to, among others, Eternity in respect of 16,000,000 Ordinary EDS Shares held by the Eternity Group.

This letter forms part of this Composite Document and sets out certain background information of Xing Hang and the intentions of Xing Hang in relation to EDS. The terms of the Offer are set out in this letter, Appendix I to this Composite Document and in the accompanying Form of Share Acceptance.

Your attention is also drawn to the letter from the EDS Board on pages 24 to 32, the letter from the Independent Board Committee on pages 33 to 34 and the letter from Investec on pages 35 to 58 of this Composite Document.

B. UNCONDITIONAL MANDATORY CASH OFFER

Kingston Securities is, on behalf of Xing Hang, making the Offer on the following basis:

For each Offer Share .... HK$4.07 in cash

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Ordinary EDS Shares or any other conditions.

The Offer will be made to all EDS Shareholders (other than the holders of the Excluded EDS Shares). For the avoidance of doubt, the Offer will not be extended to: (i) the other Subscribers in respect of the Subscription Shares; (ii) Kingston Securities in respect of the 96 Ordinary EDS Shares held by it; and (iii) Eternity in respect of 36,500,000 Ordinary EDS Shares held by the Eternity Group, whilst the Offer will be extended to, among others, Eternity in respect of 16,000,000 Ordinary EDS Shares held by the Eternity Group.

The Offer Shares acquired under the Offer shall be fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third-party rights of any nature and together with all rights attaching to them as at the date on which the Offer is made and subsequently being attached to them, including, among others, the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document.

As at the Latest Practicable Date, there are 419,803,000 Ordinary EDS Shares and 30,000,000 Preferred Shares in issue, which confer the right onto the holder of the Preferred Shares to convert the Preferred Shares into Conversion Shares. As at the Latest Practicable Date, save for the said Preferred Shares, EDS has no other outstanding securities, warrants, options, derivatives or other securities that are convertible or exchangeable into Ordinary EDS Shares or other types of equity interest in EDS. As at the Latest Practicable Date, save for the 345,000,000 Ordinary Subscription EDS Shares held by Xing Hang and other Subscribers, the 52,500,000 Ordinary EDS Shares held by the Eternity Group and the 96 Ordinary EDS Shares held by Kingston Securities, Xing Hang, its ultimate beneficial owners and parties acting in concert with any of them did not hold any Ordinary EDS Shares.

Undertakings

Eternity indirectly holds 52,500,000 Ordinary EDS Shares as at the Latest Practicable Date. Eternity has entered into the Offer Non-Acceptance Undertaking, pursuant to which Eternity has undertaken to Xing Hang that Eternity will not, and will procure that none of its intermediate company(ies) (i.e. company(ies) through which Eternity directly or indirectly holds interests in the Ordinary EDS Shares) will, unless with the prior written consent of Xing Hang, accept the Offer in respect of 36,500,000 Ordinary EDS Shares held indirectly by Eternity or any part thereof during the period while the Offer remains open for acceptance.

The Subscribers (other than Xing Hang) have also entered into the Offer Non-Acceptance Undertaking, pursuant to which each of Goldenland, Silver Empire, Truly Elite, High Aim and First Bonus, each being a Subscriber, has severally (and not jointly) undertaken to Xing Hang that, each of them will not, and will procure that none of their respective intermediate company(ies) (i.e. company(ies) through which the respective Subscriber(s) directly or indirectly hold(s) interests in the Ordinary EDS Shares) will, unless with the prior written consent of Xing Hang, accept the Offer in respect of any of the Ordinary EDS Shares directly or indirectly held by any of them (including any of the Ordinary Subscription EDS Shares or Conversion Shares held by any of them) during the period while the Offer remains open for acceptance.

Comparison of value

The Offer Price of HK$4.07 per Offer Share represents:

(a) a discount of approximately 34.35% to the closing price of HK$6.20 per Ordinary EDS Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 16.94% to the closing price of HK$4.90 per Ordinary EDS Share as quoted on the Stock Exchange on the Last Full Trading Day;

(c) a discount of approximately 15.38% to the average closing price of approximately HK$4.81 per Ordinary EDS Share as quoted on the Stock Exchange for the last five Trading Days up to and including the Last Full Trading Day;

(d) a discount of approximately 19.25% to the average closing price of approximately HK$5.04 per Ordinary EDS Share as quoted on the Stock Exchange for the last 10 Trading Days up to and including the Last Full Trading Day;

(e) a premium of approximately 7.39% over the average closing price of approximately HK$3.79 per Ordinary EDS Share as quoted on the Stock Exchange for the last 30 Trading Days up to and including the Last Full Trading Day;

(f) a premium of approximately 567.21% over the net assets per Ordinary EDS Share of approximately HK$0.61 (based on the audited net assets attributable to owners of EDS of approximately HK$45,299,000 as at 31 December 2014 and 74,803,000 Ordinary EDS Shares in issue as at the date of the Joint Announcement) and a premium of approximately 1,030.56% over the net tangible assets per Ordinary EDS Share of approximately HK$0.36 (based on the net tangible assets attributable to owners of EDS of approximately HK$27,033,000 as at 31 December 2014 and 74,803,000 Ordinary EDS Shares in issue as at the date of the Joint Announcement);

(g) a premium of approximately 730.61% over the net assets per Ordinary EDS Share of approximately HK$0.49 (based on the unaudited net assets attributable to owners of EDS of approximately HK$36,954,000 as at 30 June 2015 and 74,803,000 Ordinary EDS Shares in issue as at the date of the Joint

Announcement) and a premium of 1,528.00% over the net tangible assets per Ordinary EDS Share of approximately HK$0.25 (based on the net tangible assets attributable to owners of EDS of approximately HK$18,688,000 as at 30 June 2015 and 74,803,000 Ordinary EDS Shares in issue as at the date of the Joint Announcement);

(h) a discount of approximately 45.73% to the closing price of HK$7.50 per Ordinary EDS Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(i) a discount of approximately 3.78% to the closing price of HK$4.23 per Ordinary EDS Share as quoted on the Stock Exchange on the last Trading Day prior to the commencement of the Offer Period.

Highest and lowest prices of the Ordinary EDS Shares

During the Relevant Period, the highest and lowest closing prices of the Ordinary EDS Shares as quoted on the Stock Exchange were HK$15.00 per Ordinary EDS Share on 2 June 2015 and HK$2.09 per Ordinary EDS Share on as quoted on the Stock Exchange on 6 January 2015, 7 January 2015 and 8 January 2015 respectively.

Total value of the Offer

EDS confirms that no new share options will be granted under the Share Option Scheme until the close of the Offer. As at the Latest Practicable Date, EDS had 419,803,000 Ordinary EDS Shares in issue. On the basis of the Offer Price of HK$4.07 per Offer Share, the entire issued share capital of EDS would be valued at HK$1,708,598,210 (without taking into the account any Conversion Shares which may be issued upon conversion of any of the 30,000,000 Preferred Shares). In the event that the conversion rights attaching to the Preferred Shares are exercised in full on or before the Closing Date, there will be 449,803,000 Ordinary EDS Shares in issue. On the basis of the Offer Price of HK$4.07 per Offer Share, the entire issued share capital of EDS would be valued at HK$1,830,698,210.

Taking into account the 381,500,096 Excluded EDS Shares, the number of Ordinary EDS Shares subject to the Offer is 38,302,904 (without taking into the account any Conversion Shares which may be issued upon conversion of any of the 30,000,000 Preferred Shares) and the maximum consideration Xing Hang will be required to pay under the Offer is HK$155,892,819 if the Offer is accepted in full.

Lock-up undertakings in relation to the Subscription Shares

Xing Hang has entered into the Xing Hang's Lock-Up Undertaking, pursuant to which Xing Hang has undertaken to EDS that, effective from Completion, it will not, and will procure that none of its intermediate company(ies) (i.e. company(ies) through which Xing Hang directly or indirectly holds interests in the Subscription Shares) will, unless with the prior written consent of EDS, dispose of, transfer or sell all and any of (i) the Ordinary Subscription EDS Shares; and (ii) any Ordinary EDS Shares deriving therefrom as a result of share consolidation, subdivision or bonus issue, for a period during two years from Completion Date (the "**Xing Hang's Lock-up Period**"), provided that such restriction may be released and discharged by EDS with the consent of the EDS Board.

Pursuant to Xing Hang's Lock-Up Undertaking, Xing Hang has also undertaken to EDS that, effective from Completion, it will procure that Mr. Cai Zhaoyang (who is the majority shareholder and the sole director of Xing Hang) will continue to hold not less than 50% shareholding (whether directly and indirectly) in Xing Hang during the Xing Hang's Lock-up Period, provided that such restriction may be released and discharged by EDS with the consent of the EDS Board.

The Subscribers have entered into the Subscribers' Lock-Up Undertaking, pursuant to which each of the Subscribers has severally (but not jointly) undertaken to Eternity that, effective from Completion, it will not, and will procure that none of its respective intermediate company(ies) (i.e. company(ies) through which the respective Subscriber(s) directly or indirectly hold(s) interests in the Subscription Shares) will, unless with the prior written consent of Eternity, dispose of, transfer or sell all and any of (i) the Ordinary Subscription EDS Shares and/or Preferred Shares; and (ii) any Conversion Shares, for the period during which Eternity remains directly or indirectly interested in 22,490,150 Ordinary EDS Shares (representing 5.00% of the issued share capital of EDS as enlarged by the allotment and issue of the Ordinary Subscription EDS Shares and the Conversion Shares (assuming there is no adjustment to the Conversion Price in accordance with the terms of the Preferred Shares and that there is no other change in the number of the Ordinary EDS Shares in issue)) or more, or for one year from the Completion Date, whichever is earlier (the "**Subscribers' Lock-up Period**"), provided that such restriction may be released and discharged by Eternity with the consent of the Eternity Board.

Pursuant to the Subscribers' Lock-Up Undertaking, each of the Subscribers has also severally (but not jointly) undertaken to Eternity that, effective from Completion, it will procure that its beneficial owner(s) (direct or indirect) will not, unless with the prior written consent of Eternity, dispose of, transfer or sell all and any of his/her/its shareholding in the relevant Subscriber of which he/she/it is a beneficial owner, whether directly or indirectly held, during the Subscribers' Lock-up Period, provided that such restriction (or any part thereof) may be released and discharged by Eternity with the consent of the Eternity Board.

Confirmation of financial resources

Xing Hang will finance and satisfy the cash consideration payable under the Offer by a term loan facility granted by High Aim under the High Aim Loan Agreement. Kingston Corporate Finance, as the financial adviser to Xing Hang, is satisfied that sufficient resources are, and will remain, available to Xing Hang to satisfy full acceptance of the Offer.

Effects of accepting the Offer

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Ordinary EDS Shares or any other conditions. Acceptance of the Offer by any Independent EDS Shareholder will be deemed to constitute a warranty by such person that all Ordinary EDS Shares sold by such person under the Offer are free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and distributions recommended, declared, made or paid, if any, on or after the date on which the Offer is made, being the date of posting of this Composite Document. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. From the date of the Joint Announcement up to the Latest Practicable Date, there was no dividend or distribution declared, paid or made by EDS.

Hong Kong stamp duty

Seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by relevant Independent EDS Shareholders at a rate of 0.10% of (a) the value of the Ordinary EDS Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong); (b) consideration payable by Xing Hang in respect of the relevant acceptances of the Offer, whichever is higher, and the amount of such duty will be deducted from the cash amount payable by Xing Hang to the Independent EDS Shareholders accepting the Offer. Xing Hang will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent EDS Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Ordinary EDS Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven Business Days (as defined in the Takeovers Code) of the date on which the duly completed acceptances of the Offer and the relevant documents of title are received by or on behalf of Xing Hang to render each such acceptance complete and valid.

Availability of the Offer

Xing Hang intends to make the Offer available to all Independent EDS Shareholders, including those who are resident outside Hong Kong. The availability of the Offer to persons not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Such Overseas EDS Shareholders who are citizens, residents or nationals of a jurisdiction outside of Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. Persons who are resident, citizen or national outside of Hong Kong should inform themselves about and observe, at their own responsibility, any applicable laws, regulations, requirements and restrictions in their own jurisdictions in connection with the acceptance of the Offer, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other fares due in such jurisdiction.

In the event that the receipt of this Composite Document by any Overseas EDS Shareholder(s) is prohibited by any relevant laws and regulations or may only be effected upon compliance with conditions or requirements that would be unduly burdensome, this Composite Document, subject to the Executive's consent, will not to be despatched to such Overseas EDS Shareholder(s). Xing Hang will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Nonetheless, such Overseas EDS Shareholder(s) will be provided with all material information in this Composite Document.

Any acceptance by any Independent EDS Shareholders of the Offer will be deemed to constitute a representation and warranty from such Independent EDS Shareholders to Xing Hang that all local laws and requirements have been complied with. Independent EDS Shareholders should consult their professional advisers if in doubt. Independent EDS Shareholders who are in doubt as to the action they should take should consult their stockbroker, licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

Dealing in EDS's securities

Given the arrangements under the respective undertakings given by Eternity and the Subscribers as described in the sections headed "Letter from Kingston Securities — Lock-up undertakings in relation to the Subscription Shares" and "Letter from Kingston Securities — Undertakings in relation to the Offer" in this Composite Document, Eternity is considered as a party acting in concert with Xing Hang. Xing Hang and the parties acting in concert with it had the following dealings in EDS's securities during the Relevant Period:

1. on 22 July 2014, the Eternity Group subscribed for 12,500,000 new Ordinary EDS Shares under the Open Offer at a subscription price of HK$3.00 per Ordinary EDS Share. The 12,500,000 new Ordinary EDS Shares were allotted and issued to the Eternity Group on 11 August 2014; and

2. on 30 September 2014, the Eternity Group was allotted and issued 15,000,000 new Ordinary EDS Shares pursuant to a conversion notice served to EDS on 25 September 2014 in respect of the conversion of the remaining of the Previous Convertible Bonds with a principal amount of HK$15,000,000 at a conversion price of HK$1.00 per Ordinary EDS Share. The Previous Convertible Bonds were subscribed for by the Eternity Group at par on 22 May 2014. With reference to Note 2(c) to Rule 26.3 of the Takeovers Code, the weighted average traded price of board lots of the Ordinary EDS Shares on 25 September 2014 was approximately HK$4.0207 per Ordinary EDS Share.

Save for the above and the entering into of the Subscription Agreement, none of Xing Hang or parties acting in concert with it have dealt in any Ordinary EDS Shares or any options, convertible notes, derivatives, warrants or other securities convertible or exchangeable into the Ordinary EDS Shares during the Relevant Period.

Agreements or arrangements

Xing Hang confirms that as at the Latest Practicable Date, save for the Transaction Documents, (a) there are no agreements or arrangements to which Xing Hang and/or parties acting in concert with it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; and (b) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Ordinary EDS Shares or the shares of Xing Hang which might be material to the Offer. Xing Hang further confirms that as at the Latest Practicable Date, (a) Xing Hang and/or parties acting in concert with it have not received any irrevocable commitment to accept or reject the Offer save for the Offer

Non-Acceptance Undertaking as detailed in the paragraph headed "Undertakings in relation to the Offer"; (b) save for the 30,000,000 Preferred Shares held by High Aim, there is no outstanding derivative in respect of securities in EDS which has been entered into by Xing Hang and/or parties acting in concert with it; (c) save for the 345,000,000 Ordinary Subscription EDS Shares held by Xing Hang and other Subscribers, the 52,500,000 Ordinary EDS Shares held by Eternity Group and the 96 Ordinary EDS Shares held by Kingston Securities, none of Xing Hang and/or parties acting in concert with it owns or has control or direction over any rights or voting rights over the Ordinary EDS Shares or convertible securities, options, warrants or derivatives of EDS; and (d) there is no relevant security (as defined in Note 4 to Rule 22 of the Takeovers Code) in EDS which Xing Hang and/or parties acting in concert with it has borrowed or lent.

C. COMPULSORY ACQUISITION

Xing Hang does not intend to avail itself of any power of compulsory acquisition of any Ordinary EDS Shares after the close of the Offer.

D. FUTURE INTENTIONS OF XING HANG IN RELATION TO THE EDS GROUP

Xing Hang, together with the other Subscribers, intends to assist the EDS Group to develop its inflight WLAN and WIFI engineering and service business in the PRC. As at the Latest Practicable Date, save for the sale and purchase of the In-flight WLAN and WIFI Equipment from Donica as contemplated under the Master Supply Agreement, which is a transaction of revenue nature necessary for the development of the EDS Group's in-flight WLAN and WIFI engineering and service business, the intention of Mr. Cai Zhaoyang in helping the EDS Group to obtain the Qualifications and the proposed change in the composition of the EDS Board as detailed in the paragraph headed "Proposed change of the EDS Board composition" below, the Subscribers have not entered into any agreement, arrangements, understandings or negotiations in relation to the continued employment of the employees, disposal and/or redeployment of the assets (including the fixed assets) of the EDS Group, or termination or scaling down of any of the EDS Group's existing business other than in the ordinary course of business of the EDS Group. As at the Latest Practicable Date, the EDS Group was in the course of preparing the application for the Qualifications with the relevant supporting documents for submission to the Civil Aviation Administration of China and/or the relevant quality certification bodies and/or any other relevant authorities for review.

Proposed change of the EDS Board composition

The EDS Board is currently made up of five EDS Directors, comprising two executive EDS Directors, namely Mr. Chan Kin Wah, Billy and Mr. Lee Chan Wah; and three independent non-executive EDS Directors, namely Mr. Tam B Ray, Billy, Mr. Chu Kin Wang, Peleus and Mr. Tse Joseph.

EDS currently intends to appoint Mr. Cai Zhaoyang as an executive EDS Director to the EDS Board pursuant to the nomination by Xing Hang. Such appointment will only take effect after the date of despatch of this Composite Document in accordance with the requirements of the Takeovers Code. Biographical details of Mr. Cai are set out in the paragraph headed "E. Information on Xing Hang and its concert parties" below.

Any changes to the EDS Board composition and new appointment of EDS Directors will be made in compliance with the Takeovers Code, the GEM Listing Rules and the Bye-laws.

Maintaining the listing status of EDS

Xing Hang intends EDS to remain listed on GEM after the Closing Date. Xing Hang does not intend to exercise its right which may be available to it to compulsorily acquire the remaining Ordinary EDS Shares after the close of the Offer.

In the event that after the closing of the Offer, the public float of EDS falls below 25%, the sole director of Xing Hang and new directors to be nominated by Xing Hang and appointed as EDS Directors will jointly and severally undertake to the Stock Exchange that they will take appropriate steps as soon as possible following the closing of the Offer to ensure that sufficient public float exists for the Ordinary EDS Shares.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to EDS, being 25%, of the Ordinary EDS Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Ordinary EDS Shares; or (ii) there are insufficient Ordinary EDS Shares in public hands to maintain an orderly market, then the Stock Exchange may consider exercising its discretion to suspend dealings in the Ordinary EDS Shares. **In this connection, it should be noted that upon the close of the Offer, there may be insufficient public float for the Ordinary EDS Shares and therefore trading in the Ordinary EDS Shares may be suspended until a sufficient level of public float is attained. The sole director of Xing Hang**

and the new director(s) to be nominated by Xing Hang and appointed as EDS Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that sufficient public float exists for the Ordinary EDS Shares.

E. INFORMATION ON XING HANG AND ITS CONCERT PARTIES

Xing Hang is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately owned as to 82.5% by Mr. Cai Zhaoyang (who is the majority shareholder and the sole director of Xing Hang), 7.5% by Mr. Lin Fan, 3.75% by Ms. Xu Yaping, 3.75% by Mr. Guo Pengcheng and 2.5% by Mr. Chen Jie. Mr. Cai Zhaoyang, is also the controlling shareholder of Donica, which is an avionic systems and solution provider in the PRC.

Mr. Cai Zhaoyang, aged 39, is a controlling shareholder of Donica. Mr Cai joined Donica as a supervisor in May 2007 and has become a director of Donica since October 2007. Mr. Cai is the sole director of Xing Hang. Mr. Cai has extensive experience and expertise in the avionic engineering and service business and the telecommunications industries in the PRC. Mr. Cai also serves as a deputy director and a council member of Shenzhen Institute of Avionics Technology (深圳市航電技術研究院), which is a non-state owned institute established by Mr. Cai focusing on, among others, (i) technology research in the field of avionics; and (ii) research in the standards for avionics technology.

Leveraging Mr. Cai's experience, Donica developed avionics products which obtained, among others, the certificates and approvals from the Civil Aviation Administration of China, Federal Aviation Administration and European Aviation Safety Agency. Donica's quality management system also obtained AS9100 certificate (being a standardized quality management system for the aerospace industry released by The International Aerospace Quality Group) and complies with requirements of Civil Aviation Administration of China, Federal Aviation Administration and European Aviation Safety Agency. Mr Cai graduated from Xidian University majoring in electromagnetic field and microwave technology in 1998 in the PRC.

Goldenland is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately owned as to 50% by Mr. Liu Jin and 50% by Ms. Xue Siman.

Silver Empire is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Genius Earn Limited which is ultimately wholly owned by Mr Liu Xiao Lin.

Truly Elite is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately wholly-owned by Mr. Yeung Heung Yeung.

High Aim is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately wholly owned by Mr. Ko Chun Shun, Johnson.

First Bonus, a company incorporated in the British Virgin Islands with limited liability, is a wholly-owned subsidiary of Reorient Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by REORIENT Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange. REORIENT Group Limited is principally engaged in securities broking, placing and underwriting, and provision of consultancy and advisory services. Mr Ko Chun Shun, Johnson is an executive director of REORIENT Group Limited.

F. TAX IMPLICATIONS

None of EDS, Xing Hang, parties acting in concert with Xing Hang, Kingston Corporate Finance, Kingston Securities, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents, associates or professional advisers or any other person involved in the Offer is in a position to advise the Independent EDS Shareholders on their individual tax implications.

Independent EDS Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of Xing Hang, parties acting in concert with Xing Hang, EDS, Kingston Corporate Finance, Kingston Securities, the Registrar or their respective ultimate beneficial owners, directors, officers, agents, associates or professional advisers or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

G. ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Share Acceptance.

H. GENERAL INFORMATION

To ensure equality of treatment of all Independent EDS Shareholders, those registered Independent EDS Shareholders who hold the Offer Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

The attention of the Overseas EDS Shareholders is drawn to paragraph headed "6. Overseas EDS Shareholders" in Appendix I to this Composite Document.

All documents and remittances sent to the Independent EDS Shareholders by ordinary post will be sent to them at their own risk. Such documents and remittances will be sent to the Independent EDS Shareholders at their respective addresses as they appear in the register of members of EDS or in the case of joint Independent EDS Shareholders, to the Independent EDS Shareholder whose name appears first in the register of members of EDS. None of EDS, Xing Hang, parties acting in concert with Xing Hang, Kingston Corporate Finance, Kingston Securities, the Registrar, or any of their respective ultimate beneficial owners, directors, officers, agents, associates or professional advisers or any other person involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

I. ADDITIONAL INFORMATION ABOUT THE OFFER

Your attention is drawn to the letter from the EDS Board on pages 24 to 32 of this Composite Document, the letter from the Independent Board Committee on pages 33 to 34 of this Composite Document and the letter from Investec on pages 35 to 58 of this Composite Document in relation to their respective recommendations and advice with respect to the Offer.

Your attention is also drawn to the additional information set out in the Appendices to this Composite Document and the Form of Share Acceptance.

Yours faithfully,
For and on behalf of
Kingston Securities Limited
Chu, Nicholas Yuk Yui
Director

EDS
EDS Wellness Holdings Limited

EDS Wellness Holdings Limited

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

(Stock Code: 8176)

Executive EDS Directors:
Mr. Chan Kin Wah, Billy *(Chairman)*
Mr. Lee Chan Wah

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

Registered office:
Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

Head office and principal place of business in Hong Kong:
Unit 3811, 38/F.
Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

20 November 2015

To the Independent EDS Shareholders

Dear Sir or Madam,

UNCONDITIONAL MANDATORY CASH OFFER BY
KINGSTON SECURITIES
ON BEHALF OF XING HANG LIMITED
FOR ALL ISSUED ORDINARY EDS SHARES
(OTHER THAN THOSE EXCLUDED EDS SHARES)

INTRODUCTION

The EDS Board refers to the Joint Announcement in relation to, among others, the Subscription, the Specific Mandate, the Master Supply Agreement, the Redesignation Resolution, the amendment to the existing Bye-laws and the Offer.

With reference to the announcement of EDS dated 30 October 2015, the Subscription, the Specific Mandate, the Master Supply Agreement together with the proposed annual caps, the Redesignation Resolution and the amendment to the existing Bye-laws by adoption of the new Bye-laws were duly approved by the Independent EDS Shareholders at the EDS SGM. With reference to the joint announcement of Xing Hang and EDS dated 6 November 2015, Completion took place on 6 November 2015. Upon Completion and as at the Latest Practicable Date, Xing Hang and parties acting in concert with it were interested in 397,500,096 Ordinary EDS Shares, representing approximately 94.69% of the number of Ordinary EDS Shares in issue as at the Latest Practicable Date. Pursuant to Rule 26.1 and Rule 13.1 of the Takeovers Code, Xing Hang shall make an unconditional mandatory cash offer for all issued Ordinary EDS Shares (other than the Excluded Shares). For the avoidance of doubt, the Offer will not be extended to: (i) the other Subscribers in respect of the Subscription Shares; (ii) Kingston Securities in respect of the 96 Ordinary EDS Shares held by it; and (iii) Eternity in respect of 36,500,000 Ordinary EDS Shares held by the Eternity Group, whilst the Offer will be extended to, among others, Eternity in respect of 16,000,000 Ordinary EDS Shares held by the Eternity Group.

Pursuant to Rules 2.1 and 2.8 of the Takeovers Code, the Independent Board Committee comprising all the independent non-executive EDS Directors, namely Mr. Tam B Ray, Billy, Mr. Chu Kin Wang, Peleus and Mr. Tse Joseph, has been established to advise the Independent EDS Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. The Independent Board Committee has appointed Investec as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer and in particular as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

The purpose of this Composite Document is to provide you with, among other things, information relating to the EDS Group, Xing Hang and parties acting in concert with it and the Offer as well as setting out the letter from the Independent Board Committee containing its recommendation to the Independent EDS Shareholders in respect of the Offer and the letter from Investec containing its advice to the Independent Board Committee in respect of the Offer.

THE OFFER

According to the letter from Kingston Securities contained in this Composite Document, the Offer will be made by Kingston Securities on behalf of the Xing Hang in accordance with the Takeovers Code on the following basis:

For each Offer Share . . . . HK$4.07 payable in cash

The Offer Shares acquired under the Offer shall be fully paid and free from all liens, changes, encumbrances rights of pre-emption and any other third-party rights of any nature and together with all rights accruing or attaching to them as at the date on which the Offer is made and subsequently being attached to them, including, among others, the right to receive in full all future dividends and other distributions, if any, declared, made or paid, on or after the date on which the Offer is made, being the date of posting of this Composite Document.

Apart from the 419,803,000 Ordinary EDS Shares and 30,000,000 Preferred Shares in issue, EDS had no other relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) in issue as at the Latest Practicable Date. The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Ordinary EDS Shares or any other conditions. Acceptance of the Offer will be irrevocable and incapable of being withdrawn, except as permitted under the Takeovers Code.

Comparisons of value

As set out in the letter from Kingston Securities contained in this Composite Document, the Offer Price of HK$4.07 per Offer Share represents:

(a) a discount of approximately 34.35% to the closing price of HK$6.20 per Ordinary EDS Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 16.94% to the closing price of HK$4.90 per Ordinary EDS Share as quoted on the Stock Exchange on the Last Full Trading Day;

(c) a discount of approximately 15.38% to the average closing price of approximately HK$4.81 per Ordinary EDS Share as quoted on the Stock Exchange for the last five Trading Days up to and including the Last Full Trading Day;

(d) a discount of approximately 19.25% to the average closing price of approximately HK$5.04 per Ordinary EDS Share as quoted on the Stock Exchange for the last 10 Trading Days up to and including the Last Full Trading Day;

(e) a premium of approximately 7.39% over the average closing price of approximately HK$3.79 per Ordinary EDS Share as quoted on the Stock Exchange for the last 30 Trading Days up to and including the Last Full Trading Day;

(f) a premium of approximately 567.21% over the net assets per Ordinary EDS Share of approximately HK$0.61 (based on the audited net assets attributable to owners of EDS of approximately HK$45,299,000 as at 31 December 2014 and 74,803,000 Ordinary EDS Shares in issue as at the date of the Joint Announcement) and a premium of approximately 1,030.56% over the net tangible assets per Ordinary EDS Share of approximately HK$0.36 (based on the net tangible assets attributable to owners of EDS of approximately HK$27,033,000 as at 31 December 2014 and 74,803,000 Ordinary EDS Shares in issue as at the date of the Joint Announcement);

(g) a premium of approximately 730.61% over the net assets per Ordinary EDS Share of approximately HK$0.49 (based on the unaudited net assets attributable to owners of EDS of approximately HK$36,954,000 as at 30 June 2015 and 74,803,000 Ordinary EDS Shares in issue as at the date of the Joint Announcement) and a premium of 1,528.00% over the net tangible assets per Ordinary EDS Share of approximately HK$0.25 (based on the net tangible assets attributable to owners of EDS of approximately HK$18,688,000 as at 30 June 2015 and 74,803,000 Ordinary EDS Shares in issue as at the date of the Joint Announcement);

(h) a discount of approximately 45.73% to the closing price of HK$7.50 per Ordinary EDS Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(i) a discount of approximately 3.78% to the closing price of HK$4.23 per Ordinary EDS Share as quoted on the Stock Exchange on the last Trading Day prior to the commencement of the Offer Period.

Highest and lowest prices of the Ordinary EDS Share

During the Relevant Period, the highest closing price of the Ordinary EDS Shares was HK$15.00 per Ordinary EDS Share as quoted on the Stock Exchange on 2 June 2015 and the lowest closing price of the Ordinary EDS Shares was HK$2.09 per Ordinary EDS Share as quoted on the Stock Exchange on 6 January 2015, 7 January 2015 and 8 January 2015.

Further information of the Offer

Please refer to the letter from Kingston Securities contained in this Composite Document for further information in relation to the Offer, including undertakings in relation to the Offer, the total value of the Offer, confirmation of financial resources, Hong Kong stamp duty, payment in respect of acceptance of the Offer, availability of the Offer, procedures for acceptance of the Offer, settlement of the Offer and tax implications.

INFORMATION ON THE EDS GROUP

The EDS Group is principally engaged in the development, distribution and marketing of personal care treatments, products and services.

The table below sets out the audited consolidated net loss of the EDS Group for the two years ended 30 June 2013 and 2014 and the six months ended 31 December 2014 and the unaudited consolidated net loss of the EDS Group for the nine months ended 30 September 2015:

	For the nine months ended 30 September 2015	**For the six months ended 31 December 2014** *(Note)*	**For the year ended 30 June 2014**	**For the year ended 30 June 2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(audited)	(audited)
Loss before tax	(16,928)	(46,216)	(10,131)	(23,568)
Loss for the period/year	(17,562)	(47,043)	(10,618)	(23,568)

Note: The financial year end date of EDS has been changed from 30 June to 31 December commencing from the financial year ended 31 December 2014 (further information is described in the EDS's announcement dated 15 October 2014).

Further details of financial information of EDS are set out in Appendix II to this Composite Document.

Shareholding of EDS

The table below sets out the shareholding structure of EDS upon Completion and as at the Latest Practicable Date, and immediately upon conversion in full of the Preferred Shares (assuming that there are no other changes to the issued Ordinary EDS Shares).

	Upon Completion and as at the Latest Practicable Date		**Immediately upon conversion in full of the Preferred Shares** *(Note 10)*	
	Numbers of Ordinary EDS Shares	*Approximate %*	*Numbers of Ordinary EDS Shares*	*Approximate %*
Eternity *(Note 1)*	52,500,000	12.51%	52,500,000	11.67%
The Subscribers, who are parties acting in concert				
Xing Hang *(Note 2)*	179,921,200	42.86%	179,921,200	40.00%
Goldenland *(Note 3)*	45,396,178	10.81%	45,396,178	10.09%
Silver Empire *(Note 4)*	37,861,665	9.02%	37,861,665	8.42%
Truly Elite *(Note 5)*	41,628,921	9.92%	41,628,921	9.25%
High Aim *(Note 6)*	26,697,946	6.36%	56,697,946	12.61%
First Bonus *(Note 7)*	13,494,090	3.21%	13,494,090	3.00%
Kingston Securities *(Note 8)*	96	0.00%	96	0.00%
Others who are public EDS Shareholders	22,302,904	5.31%	22,302,904	4.96%
Total	419,803,000	100.00%	449,803,000	100.00%
Total public shareholding *(Note 9)*	141,985,622	33.82%	115,287,676	25.63%
Xing Hang and parties acting in concert with it *(Note 9)*	397,500,096	94.69%	427,500,096	95.04%
Number of Ordinary EDS Shares subject to the Offer	38,302,904	9.12%	38,302,904	8.52%

Notes:

1. As at the Latest Practicable Date, New Cove was interested in 52,500,000 Ordinary EDS Shares. As New Cove is an indirect wholly-owned subsidiary of Eternity, Eternity is deemed to be interested in such 52,500,000 Ordinary EDS Shares.

2. Xing Hang is ultimately owned as to 82.5% by Mr. Cai Zhaoyang, 7.5% by Mr. Lin Fan, 3.75% by Ms. Xu Yaping, 3.75% by Mr. Guo Pengcheng and 2.5% by Mr. Chen Jie.

3. Goldenland is ultimately owned as to 50% by Mr. Liu Jin and 50% by Ms. Xue Siman. Goldenland is a party acting in concert with Xing Hang.

4. Silver Empire is wholly-owned by Genius Earn Limited which is ultimately wholly-owned by Mr. Liu Xiao Lin. As (i) Silver Empire is not a director, chief executive or substantial shareholder of EDS or any of its subsidiaries or a close associate of any of them (collectively, "**Core Connected Person**"); (ii) its subscription of its portion of the Subscription Shares is not financed by any Core Connected Person of EDS; and (iii) it is not accustomed to take instructions from any Core Connected Persons of EDS in relation to the acquisition, disposal, voting or other disposition of its portion of the Subscription Shares; and (iv) given that Silver Empire is not as a result of the Subscription or otherwise a Core Connected Person of EDS upon Completion and upon full conversion of the Preferred Shares as shown above, it was as at the Latest Practicable Date and shall be upon full conversion of the Preferred Shares regarded as a public EDS Shareholder. Silver Empire is a party acting in concert with Xing Hang.

5. Truly Elite is ultimately wholly-owned by Mr. Yeung Heung Yeung. As (i) Truly Elite is not a Core Connected Person of EDS; (ii) its subscription of its portion of the Subscription Shares is not financed by any Core Connected Person of EDS; and (iii) it is not accustomed to take instructions from any Core Connected Persons of EDS in relation to the acquisition, disposal, voting or other disposition of its portion of the Subscription Shares; and (iv) given that Truly Elite is not as a result of the Subscription or otherwise a Core Connected Person of EDS upon Completion and upon full conversion of the Preferred Shares as shown above, it was as at the Latest Practicable Date and shall be upon full conversion of the Preferred Shares regarded as a public EDS Shareholder. Truly Elite is a party acting in concert with Xing Hang.

6. High Aim is ultimately wholly-owned by Mr. Ko Chun Shun, Johnson. As (i) High Aim is not a Core Connected Person of EDS; (ii) its subscription of its portion of the Subscription Shares is not financed by any Core Connected Person of EDS; and (iii) it is not accustomed to take instructions from any Core Connected Persons of EDS in relation to the acquisition, disposal, voting or other disposition of its portion of the Subscription Shares; and (iv) given that High Aim will not as a result of the Subscription or otherwise become a Core Connected Person of EDS upon Completion as shown above, it was regarded as a public EDS Shareholder upon Completion and as at the Latest Practicable Date. High Aim is a party acting in concert with Xing Hang.

7. First Bonus is a wholly-owned subsidiary of Reorient Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by REORIENT Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange. Mr. Ko Chun Shun, Johnson is an executive director of REORIENT Group Limited. As (i) First Bonus is not a Core Connected Person of EDS; (ii) its subscription of its portion of the Subscription Shares is not financed by any Core Connected Person of EDS; and (iii) it is not accustomed to take instructions from any Core Connected Persons of EDS in relation to the acquisition, disposal, voting or other disposition of its portion of the Subscription Shares; and (iv) given that First Bonus will not as a result of the Subscription or otherwise become a Core Connected Person of EDS upon Completion and upon full conversion of the Preferred Shares as shown above, it was regarded as a public EDS Shareholder upon Completion and as at the Latest Practicable Date and shall be regarded as a public EDS Shareholder upon full conversion of the Preferred Shares. First Bonus is a party acting in concert with Xing Hang.

8. As (i) Kingston Securities is not a Core Connected Person of EDS; and (ii) will not as a result of the Subscription or otherwise become a Core Connected Person of EDS upon Completion and upon full conversion of the Preferred Shares as shown above, it was as at the Latest Practicable Date and shall be upon full conversion of the Preferred Shares regarded as a public EDS Shareholder. Kingston Securities is a party acting in concert with Xing Hang.

9. Some of the Subscribers (being parties acting in concert with Xing Hang) are/will be regarded as public EDS Shareholders upon Completion and/or full conversion of the Preferred Shares. Accordingly, there are overlaps between the public EDS Shareholders and Xing Hang and parties acting in concert with it and therefore the aggregate of the percentage shareholding of public EDS Shareholders and the percentage shareholding of Xing Hang and parties acting in concert with it add up to over 100%.

10. This scenario is shown for illustrative purposes only. Conversion of any Preferred Shares will be limited by EDS being able to comply with the minimum public float requirements under the GEM Listing Rules immediately after conversion of the Preferred Shares.

INFORMATION ON XING HANG

Please refer to the letter from Kingston Securities contained in this Composite Document for further information on Xing Hang.

INTENTION OF XING HANG REGARDING THE EDS GROUP

Your attention is drawn to the letter from Kingston Securities contained in this Composite Document which sets out the intention of Xing Hang regarding the business of the EDS Group. The EDS Board is aware of Xing Hang's intention in respect of the EDS Group and is willing to co-operate with Xing Hang which is in the interests of EDS and the EDS Shareholders as a whole.

MAINTAINING THE LISTING STATUS OF EDS

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to EDS, being 25% of the number of Ordinary EDS Shares in issue, are held by the public at all time, or if the Stock Exchange believes that:

(a) a false market exists or may exist in the trading of the Ordinary EDS Shares; or

(b) there are insufficient Ordinary EDS Shares in public hands to maintain an orderly market,

then, it will consider exercising its discretion to suspend dealings in the Ordinary EDS Shares.

As set out in the letter from Kingston Securities, Xing Hang intends EDS to remain listed on GEM of the Stock Exchange after the Closing Date. Xing Hang does not intend to exercise its right which may be available to it to compulsorily acquire the remaining Ordinary EDS Shares after the close of the Offer. The sole director of Xing Hang and new directors to be nominated by Xing Hang and appointed as EDS Directors will jointly and severally undertake to the Stock Exchange that they will take appropriate steps as soon as possible following the closing of the Offer to ensure that sufficient public float exists for the Ordinary EDS Shares.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee and letter from Investec respectively which set out their recommendations and opinions in relation to the Offer and the principal factors considered by them before arriving at their recommendations. You are also advised to read the remainder of this Composite Document and the Form of Share Acceptance in respect of the acceptance and settlement procedures of the Offer.

Yours faithfully
For and on behalf of
EDS Wellness Holdings Limited
Lee Chan Wah
Executive Director

EDS Wellness Holdings Limited

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

(Stock Code: 8176)

To the Independent EDS Shareholders

Dear Sir or Madam,

UNCONDITIONAL MANDATORY CASH OFFER BY
KINGSTON SECURITIES
ON BEHALF OF XING HANG LIMITED
FOR ALL ISSUED ORDINARY EDS SHARES
(OTHER THAN THOSE EXCLUDED EDS SHARES)

20 November 2015

INTRODUCTION

We refer to the Composite Document dated 20 November 2015 jointly issued by Xing Hang and EDS, of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Composite Document.

We have been appointed to form the Independent Board Committee to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent EDS Shareholders are concerned and as to the acceptance of the Offer. Investec has been appointed as the Independent Financial Adviser to advise us in this respect. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the letter from Investec contained in this Composite Document. We also wish to draw your attention to the letter from Kingston Securities contained in this Composite Document, the letter from the EDS Board and the additional information set out in the appendices to this Composite Document.

RECOMMENDATION

Taking into account the terms of the Offer and the advice from the Independent Financial Adviser in particular the factors, reasons and recommendations as set out in the letter from Investec, we consider that the terms of the Offer are fair and reasonable so far as the Independent EDS Shareholders are concerned and therefore we recommend the Independent EDS Shareholders to accept the Offer.

Notwithstanding our recommendation, the Independent EDS Shareholders should read the full text of the letter from Investec and consider carefully the terms of the Offer and then decide whether to accept or not to accept the Offer.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Tam B Ray, Billy	**Chu Kin Wang, Peleus**	**Tse Joseph**
Independent non-executive EDS Director	*Independent non-executive EDS Director*	*Independent non-executive EDS Director*

The following is the text of the letter of advice from Investec Capital Asia Limited to the Independent Board Committee and the Independent EDS Shareholders in relation to the unconditional mandatory cash offer by Kingston Securities Limited for and on behalf of Xing Hang Limited to acquire all issued Ordinary EDS Shares (other than those Excluded EDS Shares) and the transactions contemplated thereunder prepared for the purpose of incorporation in this Composite Document.

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Fax/傳真: (852) 2501 0171
www.investec.com

20 November 2015

To: The Independent Board Committee and
the Independent Shareholders of
EDS Wellness Holdings Limited

Dear Sir or Madam,

UNCONDITIONAL MANDATORY CASH OFFER BY KINGSTON SECURITIES LIMITED FOR AND ON BEHALF OF XING HANG LIMITED TO ACQUIRE ALL ISSUED THE ORDINARY EDS SHARES (OTHER THAN THOSE EXCLUDED EDS SHARES)

A. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent EDS Shareholders in respect of the unconditional mandatory cash offer by Kingston Securities Limited for and on behalf of Xing Hang Limited ("**Xing Hang**") to acquire all the issued Ordinary EDS Shares (other than those Excluded EDS Shares), details of which are set out in the composite document of Xing Hang and EDS dated 20 November 2015 (the "**Composite Document**"), of which this letter forms part. This letter contains our advice to (i) the Independent Board Committee and Independent EDS Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. Unless otherwise stated, terms defined in the Composite Document have the same meanings in this letter.

As stated in the Circular, on 17 February 2015, EDS and the Subscribers entered into the Subscription Agreement pursuant to which the Subscribers have conditionally agreed to subscribe for, and EDS has conditionally agreed to allot and issue a total of 375,000,000 Subscription Shares, comprising 345,000,000 Ordinary Subscription EDS Shares and 30,000,000 Preferred Shares to the Subscribers, at an issue price of HK$0.40 per Subscription Share. The 375,000,000 Subscription Shares (upon conversion of the 30,000,000 Preferred Shares in full) represent (i) approximately 501.32% of the number of Ordinary EDS Shares in issue as at the Latest Practicable Date; and (ii) approximately 83.37% of the number of Ordinary EDS Shares in issue as enlarged by the allotment and issue of the Ordinary Subscription EDS Shares and Conversion Shares upon conversion of the Preferred Shares in full.

Upon Completion, Xing Hang and parties acting in concert with it will, in aggregate, be interested in 397,500,096 Ordinary EDS Shares, representing approximately 94.69% of the number of Ordinary EDS Shares in issue as enlarged by the allotment and issue of the Subscription Shares (on the basis that no Preferred Shares are converted into Conversion Shares and that there is no other change in the number of Ordinary EDS Shares in issue). Upon full conversion of the Preferred Shares, Xing Hang and parties acting in concert with it will, in aggregate, be interested in 427,500,096 Ordinary EDS Shares, representing approximately 95.04% of the number of Ordinary EDS Shares in issue as enlarged by the allotment and issue of the Ordinary Subscription EDS Shares and the Conversion Shares (assuming there is no adjustment to the Conversion Price in accordance with the terms of the Preferred Shares and that there is no other change in the number of Ordinary EDS Shares in issue).

Pursuant to Rule 26.1 and Rule 13.1 of the Takeovers Code, Xing Hang and parties acting in concert with it is required to make an unconditional mandatory cash offer for all the Offer Shares, being all the issued Ordinary EDS Shares (other than the Excluded EDS Shares). Save for the Subscription Agreement, there is no outstanding derivative in respect of securities which has been entered into by Xing Hang or and/or parties acting in concert with it. Save for the Eternity Group which holds 52,500,000 Ordinary EDS Shares and Kingston Securities which holds 96 Ordinary EDS Shares, as at the Latest Practicable Date, neither Xing Hang nor parties acting in concert with it owned nor controlled any rights or voting rights over any Ordinary EDS Shares or securities in EDS. The Offer will be made to all EDS Shareholders (excluding the holders of the Excluded EDS Shares).

B. THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive EDS Directors, namely Mr. Tam B Ray, Billy, Mr. Chu Kin Wang, Peleus and Mr. Tse Joseph has been established to advise to the Independent EDS Shareholders as to the terms of the Offer. As the Independent Financial Adviser in relation to the Offer, our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation as to whether the terms of the Offer are fair and reasonable as far as the Independent Shareholders are concerned and whether the Independent Shareholders should, or should not accept the Offer.

As at the Latest Practicable Date, we were independent from and not connected with the EDS Group and any party acting in concert pursuant to Rule 17.96 of the GEM Listing Rules, and accordingly, qualified to give independent advice to the Independent Board Committee and the Independent EDS Shareholders regarding the Offer. Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser, no arrangement exists whereby we shall receive any other fees or benefits from EDS.

C. BASIS OF OUR OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Composite Document and the information and representations provided to us by the EDS Group and/or the EDS Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Composite Document or otherwise provided or made or given by the EDS Group and/or the EDS Directors and/or its senior management staff (the "**Management**") and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Composite Document. We have assumed that all the opinions and representations made or provided by the EDS Directors and/or the Management contained in the Composite Document have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from EDS and/or the EDS Directors and/or the Management that no material facts have been omitted from the information provided and referred to in the Composite Document.

We consider that we have reviewed all information and documents which has been made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the EDS Group and/or the EDS Directors and/or its Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the businesses and affairs of the EDS Group, Xing Hang Limited, Shenzhen Donica Electronic Technology Co. Ltd or their respective affiliates.

D. PRINCIPAL TERMS OF THE OFFER

The Offer

Kingston Securities is making, on behalf of the Xing Hang, the Offer to all the Independent EDS Shareholders for all the issued Ordinary EDS Shares (other than those Excluded EDS Shares) on the following basis:

For each Offer Share . . . . .HK$4.07 payable in cash

As set out in the letter from Kingston Securities contained in the Composite Document, the Offer Price of HK$4.07 per Offer Share represents:

(a) a discount of approximately 34.35% to the closing price of HK$6.20 per Ordinary EDS Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 16.94% to the closing price of HK$4.90 per Ordinary EDS Shares as quoted on the Stock Exchange on the Last Full Trading Day;

(c) a discount of approximately 15.38% to the average closing price of approximately HK$4.81 per Ordinary EDS Share as quoted on the Stock Exchange for the last five Trading Days up to and including the Last Full Trading Day;

(d) a discount of approximately 19.25% to the average closing price of approximately HK$5.04 per Ordinary EDS Share as quoted on the Stock Exchange for the last 10 Trading Days up to and including the Last Full Trading Day;

(e) a premium of approximately 7.39% over the average closing price of approximately HK$3.79 per Ordinary EDS Share as quoted on the Stock Exchange for the last 30 Trading Days up to and including the Last Full Trading Day;

(f) a premium of approximately 567.21% over the net assets per Ordinary EDS Share of approximately HK$0.61 (based on the audited net assets attributable to owners of EDS of approximately HK$45,299,000 as at 31 December 2014 and 74,803,000 Ordinary EDS Shares in issue as at the Latest Practicable Date) and a premium of approximately 1,030.56% over the net tangible assets per Ordinary EDS Share of approximately HK$0.36 (based on the net tangible assets attributable to owners of EDS of approximately HK$27,033,000 as at 31 December 2014 and 74,803,000 Ordinary EDS Shares in issue as at the Latest Practicable Date);

(g) a premium of approximately 723.9% over the net assets per Ordinary EDS Share of approximately HK$0.49 (based on the unaudited net assets attributable to owners of EDS of approximately HK$36,954,000 as at 30 June 2015 and 74,803,000 Ordinary EDS Shares in issue as at the Latest Practicable Date); and

(h) a discount of approximately 45.7% to the closing price of HK$7.50 per Ordinary EDS Share as quoted on the Stock Exchange on the Latest Practicable Date.

Apart from the 74,803,000 Ordinary EDS Shares in issue and the Subscription Shares, EDS has no other class of relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) in issue as at the date of the Composite Document. The Offer is unconditional in all respects and is not conditional upon any minimum level of acceptance of the Offer or subject to any of the condition. By accepting the Offer, Independent Shareholders will sell their Ordinary EDS Shares to the Xing Hang free from all encumbrances and with all rights attached to them, including the rights to receive all dividends and other distributions, if any, declared, made or paid by reference to a record date on or after the date on which the Offer is made, being the date of posting of the Composite Document.

The Offer Shares acquired under the Offer shall be fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third-party rights of any nature and together with all rights attaching to them on or after the date on which the Offer is made, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made.

The Offer Price represents the closing price of the Ordinary EDS Shares quoted on the Stock Exchange on 25 September 2014, being the date on which the Eternity Group served the conversion notice to EDS to convert the principal amount of HK$15,000,000 of the Previous Convertible Bonds into 15,000,000 Ordinary EDS Shares as further detailed in the section headed "Dealing in EDS's securities" in the Joint Announcement. Such conversion is regarded as an acquisition of voting rights in EDS by the Eternity Group for the purposes of the Takeovers Code. Eternity is considered a party acting in concert with Xing Hang as a result of certain non-disposal undertakings between them as detailed in the sections headed "Lock-up undertakings in relation to the Subscription Shares" and "Undertakings in relation to the Offer" in the Joint Announcement.

E. PRINCIPAL FACTORS CONSIDERED

In formulating our opinion regarding the Offer, we have taken into consideration the following principal factors:

1. Background information

i. Information on the EDS Group

The shares of EDS were first listed on the Growth Enterprise Market ("**GEM**") of the Stock Exchange on 19 February 2002. The EDS Group is principally engaged in the sale of beauty products and provision of therapy services. As stated in the EDS's annual report for the six months ended 31 December 2014 (the "**2014 Annual Report**"), the EDS Group offers a variety of beauty products under the brand name "Evidens de Beauté" and a variety of medical skincare products, including the brand "Activa". For the provision of therapy services, the EDS Group operates a spa centre in Central under the brand "La Spa Evidens de Beauté" to offer spa, facial sahos, body treatments and wellness massages services and a medical skincare centre under the trade name "COLLAGEN+" in Causeway Bay.

ii. ***Historical financial performance of the EDS Group***

Set out below is a summary of the EDS Group's consolidated statements of income as extracted from the 2014 Annual Report for the six months ended 31 December 2014:

	For the year ended 30 June		**For the six months ended 31 December**
	2013	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
Turnover	8,140	27,582	22,084
Cost of sales	(11,686)	(16,597)	(15,155)
Gross profit/(loss)	(3,546)	10,985	6,929
Impairment loss in respect of other receivables	(1,254)	(80)	(46,519)
Loss for the period/year	(23,568)	(10,618)	(47,043)
Loss for the period/year attributable to owners of the company	(23,568)	(11,768)	(48,939)

The EDS Group recorded turnover of approximately HK$27.6 million for the year ended 30 June 2014, representing an increase of approximately 240.7% from approximately HK$8.1 million for the year ended 30 June 2013. Such increase was primarily due to the increase in the sales of beauty products and the provision of therapy services. The consolidated loss attributable to owners of the company decreased from approximately HK$23.6 million for the year ended 30 June 2013 to approximately HK$11.8 million for the year ended 30 June 2014, representing a decrease of approximately 50.0%. The improvement in the EDS Group's results was mainly due to the contribution from China Honest Enterprises Limited ("**China Honest**"), the newly acquired 51% owned subsidiary of the Company during the year ended 30 June 2014, which improved the EDS Group's results from a gross loss margin to gross profit margin.

For the six months ended 31 December 2014, the EDS Group recorded turnover of approximately HK$22.1 million compared to approximately HK$27.6 million for the twelve months ended 30 June 2014. China Honest contributed approximately HK$20.5 million to the turnover of the EDS Group, representing approximately 92.8% of the total turnover, of which approximately HK$0.7 million and HK$19.8 million were generated from the sale of beauty products and provision of therapy services, respectively. As it was unclear that whether and when the EDS Group would be able to receive judgment debt and accrued interest of an aggregate amount of HK$46.5 million due, an impairment loss of HK$46.5 million in respect of such other receivables was recognised in the audited financial results of the Group for the six months ended 31 December 2014.

China Honest became a 51% subsidiary of the Company and the financial results thereof were consolidated into the financial results of the EDS Group. As a result of the acquisition, the EDS Group was able to consolidate China Honest's financial results which has been the principal reason for the EDS Group experiencing an improvement in its turnover, gross profit margin and net loss position in respective financial periods. Without the acquisition of China Honest, the Directors believe that the turnover, gross profit margin and net loss position would not have improved.

Moreover, to analyse the Group's turnover and gross profit margin on an identical basis, the period before the completion of the acquisition should not be accounted for. For the six consecutive quarters starting from 1 April 2014, there were little or no growth in the Group's turnover and gross profit margin in respective periods.

The EDS Group recorded a gross profit of approximately HK$6.9 million for the six months ended 31 December 2014, which represented a gross profit margin of approximately 31.4%.

For the twelve months ended 30 June 2014, the EDS Group recorded a gross profit of approximately HK$11.0 million, which represented a gross profit margin of approximately 39.8%. The decrease in gross profit margin was mainly a result of the operations under the "Evidens de Beauté" brand which recorded a gross loss of approximately HK$0.6 million.

We further note that the EDS Group changed its financial year end from 30 June to 31 December in 2014. Therefore, there are no comparable financial results for the six months ended 31 December 2014.

Set out below is an extract of the financial results of EDS from the quarterly report for the nine months ended 30 September 2015 (the "**2015 Quarterly Report**"):

	For the six months ended 30 June		For the nine months ended 30 September
	2014	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	19,080	20,703	32,370
Cost of sales	(11,179)	(15,362)	(23,639)
Gross profit	7,901	5,341	8,731
Loss for the period	(8,479)	(7,458)	(17,562)
Loss for the period attributable to owners of the company	(9,629)	(8,360)	(18,989)

The EDS Group recorded turnover of approximately HK$32.4 million for the nine months ended 30 September 2015, representing an increase of approximately 7.9% from approximately HK$30.0 million for the nine months ended 30 September 2014. Approximately HK$3.2 million and HK$29.2 million was generated from the sale of beauty products and the provision of therapy services, respectively. For the nine months ended 30 September 2015, EDS recorded a consolidated loss attributable to owners of the company of approximately HK$19.0 million, representing an increase from approximately HK$11.3 million for the nine months ended 30 September 2014. Such change in the results was mainly contributed by (i) an unsatisfactory performance of the business segment under the brand name "Evidens de Beauté"; and (ii) the increase in staff costs including directors' emoluments which was mainly attributable to the staff costs incurred by the WFOE (as defined below) since April 2015. On 13 April 2015, the Group set up a wholly-foreign-owned enterprise (the "**WFOE**") in Shenzhen, the PRC for the development of a new in-flight WLAN and WIFI engineering and service business (the "**New Business**"). As at 30 September 2015, the WFOE had 50 employees and incurred approximately HK$6.9 million in staff costs for the nine months ended 30 September 2015. No staff costs from the WFOE were incurred by the Group in the corresponding period in 2014.

As set out in the interim report for the six months ended 30 June 2015 (the "**2015 Interim Report**") of the EDS Group, the Hong Kong retail market has been in decline since last year and official figures are showing no signs of improvement. According to the Census and Statistic Department, the total retail sales in Hong Kong for the first quarter of 2015 were down by 2.3% year-on-year. With the implementation of a tightened policy on Chinese tourists in response to mounting concern on capacity constraints, the EDS Directors are of the view that there will be little or no growth in the Group's sale of beauty products and provision of therapy services in 2015. Based on such data and the difficult conditions in the retail sector in Hong Kong, we concur with such views.

iii. Historical financial position of the EDS Group

Set out below is a summary of the EDS Group's consolidated statements of financial position as extracted from the 2015 Interim Report:

	As at 31 December 2014	**As at 30 June 2015**
	HK$'000	*HK$'000*
	(Audited)	(Unaudited)
Total assets	90,366	157,088
Total liabilities	41,310	115,475
Total equity	49,056	41,613

During the year ended 30 June 2014 and six-month period ended 31 December 2014, the EDS Group financed its operations with internally generated cash flows, proceeds from the issuance of new shares of EDS by way of open offer and placing and the issuance of convertible bonds. The EDS Group issued HK$40.0 million of convertible bonds (the "**Convertible Bonds**") on 22 May 2014 which are interest-free and convertible into 40,000,000 Ordinary EDS Shares at a conversion price of HK$1.00 per share at any time up to the maturity date on 22 November 2016. By 30 September 2014, all Convertible Bonds had been converted into 40,000,000 Ordinary EDS Shares. On 11 August 2014, EDS allotted and issued 19,061,000 new Ordinary EDS Shares at a subscription price of HK$3.00 per Ordinary EDS Shares by way of open offer (the "**Open Offer**"), raising approximately HK$54.0 million (net of expenses). All net proceeds were used to repay a loan due to Hong Kong Builders Finance Limited. On 28 August 2014, EDS allotted and issued 2,620,000 new Ordinary EDS Shares at a price of HK$3.15 per Ordinary EDS Shares by way of placing (the "**Placing**"), raising approximately HK$7.86 million (net of expenses), of which approximately HK$7.54 million was used to repay a loan due to Hong Kong Builders Finance Limited. As at 30 June 2015, the remaining net proceeds of HK$0.32 million had been fully utilised as general working capital of the EDS Group.

As set out in the 2015 Interim Report, the total borrowings and other financial liabilities of the EDS Group decreased from approximately HK$10.4 million as at 31 December 2014 to approximately HK$10.3 million as at 30 June 2015. Total borrowings and other financial liabilities of the EDS Group constituted:

(i) a loan of HK$7.5 million granted by the Lender which is interest bearing at 10.0% per annum, is unsecured and matures on 10 June 2016;

(ii) a loan of approximately HK$2.6 million advanced by Koffman Investment Limited, a company which is 50% owned by Mr. Yu Zhen Hua, Johnny (the former chairman of the EDS Board), which is interest bearing at 5.00% per annum, is unsecured and matures on 25 August 2015; and

(iii) the obligations under finance leases of approximately HK$0.2 million of which (a) HK$145,000 is interest bearing at 3.00% per annum and secured by a guarantee from the Hong Kong Government, a joint and several guarantee from a director of a subsidiary and an independent third party and the EDS Group's title to the leased assets, and (b) HK$15,000 is non-interest bearing and secured by the EDS Group's title to the leased assets.

As at 30 June 2015, the EDS Group had total assets of approximately HK$157.1 million including cash and cash equivalents of approximately HK$93.6 million, which increased from approximately HK$90.4 million and HK$26.6 million, respectively, as at 31 December 2015.

The total equity of EDS decreased from approximately HK$49.1 million as at 31 December 2014 to approximately HK$41.6 million as at 30 June 2015, which was mainly due to the loss incurred for the six months ended 30 June 2015.

2. Prospects of the EDS Group

As mentioned in the 2014 Annual Report, the management of EDS noted detrimental factors affecting the local retail market in Hong Kong, including the slowdown of the growth of Mainland visitors to Hong Kong and the weakening of Mainland tourists' spending powers. As detailed in the announcement of the Census & Statistics Department of the Hong Kong Government in August 2015, the total retail sales value in August 2015 fell 5.4% year-on-year to a provisionally estimated HK$37.9 billion. When analysed by type of retail outlet, medicines and cosmetics decreased by approximately 5.1% over the same period. Furthermore, for the first eight months of 2015 taken together, the value of total retail sales decreased by 2.2% year-on-year, while the value of total medicine and cosmetics retail sales decreased by 0.6% over the same period., As a result thereof, management does not expect any growth in the EDS Group's sale of beauty products and provision of therapy services in the coming year. With a view to improving its profitability, EDS entered into a conditional subscription agreement with six investors (the "**Subscribers**").

As set out in the letter from the EDS Board in the circular dated 7 October 2015, the EDS Directors are of the view that the Subscription represents a valuable opportunity for the EDS Group to bring in the Subscribers as strategic investors. The Subscribers (in particular the background of Mr. Cai Zhaoyang, who is the majority shareholder and the sole director of Xing Hang) have extensive experience, strong expertise and a wide business network in the avionic engineering and service business industry in the PRC. The EDS Directors consider, and we concur, that the entering into of the Subscription Agreement represents a good opportunity for the EDS Group to (i) raise a substantial amount of additional funds, which provides the EDS Group with the financial flexibility necessary for future business development in the provision of in-flight WLAN and WIFI engineering and service business in the PRC in parallel to its existing business; (ii) improve its financial position and liquidity; and (iii) leverage the expertise and business network of Mr. Cai Zhaoyang to take advantage of the expected strong growth in the avionic engineering and service business sector in the PRC.

After further discussions with the Company, we understand that as at the Latest Practicable Date, there are two qualifications that are required to provide the New Business, namely Parts Manufacturer Approval (PMA) and a repair license. The company submitted the prerequisite assessment (together with supporting documentation) for the PMA on 3 June 2015 and the assessment was accepted by CAAC for review on 2 July 2015, however, Management has confirmed this does not constitute an official submission. As of yet, the company is yet made any submission (prerequisite assessment or official) for a repair license. The formal application for either has yet to be submitted but we understand from Management that it typically takes approximately 12 to 18 months to obtain approval from the CAAC.

The in-flight WIFI service business in the PRC is still at the start-up stage. After discussing with Management we understand, there are overseas service providers such as Gogo Inc., Global Eagle Entertainment Inc., Panasonic Avionics Corporation and domestic companies in the process of developing inflight WLAN or WIFI services in the PRC. Furthermore, we understand from Management that state-owned Chinese airlines have started in-flight WIFI service trials and such in-flight WLAN and WIFI services are being gradually adopted commercially.

As set out in the letter from the EDS Board in the circular dated 7 October 2015, pursuant to the Administrative Regulations on Internet Audio/Video Program Services jointly issued by the then State Administration of Radio, Film and Television ("**SARFT**") and MII and effective as of 31 January 2008, online transmission of audio and video programs requires an Internet Audio/Video Program Transmission License and online audio/video service providers must be state-owned enterprises. To comply with the relevant laws and regulations on foreign investments, the EDS Group will enter into a series of contractual arrangements with a PRC domestic company to operate the business.

We understand that although the use of in-flight WLAN and WIFI services on the whole is still at an early stage and is hindered to some extent by regulatory approvals, data transfer speeds and costs, it is believed that the take up will increase as more airlines install in-flight WIFI, more routes offer in-flight WIFI, data transfer speeds increase and the costs of usage decline. Given the current plans of airlines, globally as well as by two of the PRC's leading airlines, to install and introduce WIFI on their commercial flights, we believe that the New Business may have significant growth in the future. However, we understand from management that the EDS Group has only entered into discussions with certain airlines but has not signed any agreements. However, the EDS Group is in advanced discussions with one target airline in the PRC for the installation of In-flight WLAN and WIFI Equipment and the provision of the services.

The provision of in-flight WLAN and WIFI services by the EDS Group is a new business and is still under development. As at the Latest Practicable Date, the EDS Group has not entered into any contracts with airlines in respect of such new business. As a result, there is no guarantee that the New Business will be marketable or successful. Depending on the mode of cooperation between the EDS Group and airline companies, the EDS Group may or may not charge the airline companies for the provision of WLAN or WIFI equipment to them but may earn/share any income from passengers using the WLAN or WIFI services on the airplanes which use the EDS Group's in-flight technology and connectivity solutions. Therefore, at the initial stage of development, net cash outflows in the form of purchase of the WLAN and WIFI equipment and payment of the related installation services may be recorded before receipt of payments from passengers who use the EDS Group's in-flight WLAN or WIFI System. Such net cash outflows may burden the EDS Group's working capital and financial condition. As such, given the risks inherent in new business lines and the financial outlay which may still be required, we believe the New Business carries uncertainty and risk which is a consideration for Shareholders. Moreover, considering the uncertainty and risk associated with the New Business, we believe that Shareholders may consider the Offer to be an attractive opportunity to exit the EDS Group.

3. Intention of the Offeror and proposed change of EDS Board

As set out in the Circular, to the best of the EDS Directors' information, knowledge and belief after due enquiry with Xing Hang, Xing Hang, together with the other Subscribers, intends to assist the EDS Group to develop the New Business. As at the Latest Practicable Date, save for the possible sale and purchase of the In-flight WLAN and WIFI Equipment from Donica under the Master Supply Agreement, which is a revenue transaction necessary for the development of the New Business and the intention of Mr. Cai Zhaoyang in helping the EDS Group to obtain the Qualifications and other than in the ordinary course of the EDS Group's business which is considered by the EDS Directors to be necessary in the course of carrying out its principal activities, the Subscribers have not entered into any agreement, arrangements, understandings or negotiations in relation to the continued employment of the employees, disposal and/or redeployment of the assets (including the fixed assets) of the EDS Group, nor do the Subscribers have any intention to terminate or scale down any of the EDS Group's business.

As set out in the Letter from the EDS Board, the EDS Board is currently made up of five EDS Directors, comprising two executive EDS Directors, namely Mr. Chan Kin Wah, Billy and Mr. Lee Chan Wah; and three independent non-executive EDS Directors, namely Mr. Tam B Ray, Billy, Mr. Chu Kin Wang, Peleus and Mr. Tse Joseph.

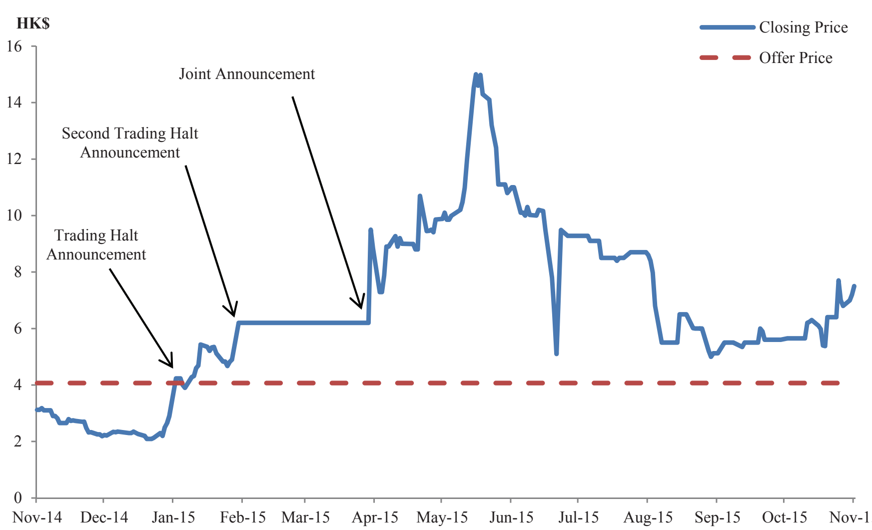
EDS currently intends to nominate Mr. Cai Zhaoyang as an executive EDS Director. Such appointment will only take effect after the date of despatch of this Composite Document in accordance with the requirements of the Takeovers Code. Biographical details of Mr. Cai are set out in the section headed "Information on Xing Hang and its concert parties".

Any changes to the EDS Board composition and new appointment of EDS Directors will be made in compliance with the Takeovers Code, the GEM Listing Rules and the bye-laws of EDS.

4. Offer Price Comparison

i. *Historical price performance and liquidity of the Ordinary EDS Shares*

The chart below illustrates the closing price of the Ordinary EDS Shares during the period from 18 November 2014 (being the first trading day of the one year period prior to the Latest Practicable Date) up to and including the Latest Practicable Date (the "**Review Period**"):



Source: Bloomberg and Stock Exchange

Note: Trading in the Ordinary EDS Shares on the Stock Exchange was suspended from 20 January 2015 to 21 January 2015 and 17 February 2015 to 15 April 2015

During the Review Period, the closing price of the Ordinary EDS Shares fluctuated between the range from HK$2.09 to HK$15.00. From 10 Novemer 2014 to 19 January 2015, the closing price of the Ordinary EDS Shares fluctuated between the range from HK$2.09 to HK$4.23. The closing price of the Ordinary EDS Shares decreased gradually from a closing price of HK3.25 on 13 November 2014 to a low of HK$2.09 on 7 January 2015. The closing price then increased to HK$4.23 on 19 January 2015. Trading in the Ordinary EDS Shares was then halted at the request of management pending the release of an announcement regarding inside information pursuant to the Takeovers Code (the "**Trading Halt Announcement**"). Trading resumed on 22 January 2015. The closing price of the Ordinary EDS Shares continued to be volatile and traded between HK$3.90 and HK$6.20 until a further halt in trading on 16 February 2015. At the request of management, trading in the Ordinary EDS Shares was halted once again, pending the release of a further announcement regarding inside information pursuant to the Takeovers Code (the "**Second Trading Halt Announcement**"). On 15 April 2015, EDS released the Joint Announcement which indicated that trading in the Ordinary EDS Shares would resume on 16 April 2015. Following the resumption of trading in the Ordinary EDS Shares, the closing price reached the highest closing price of HK$15.00 on 2 June 2015 and then the closing price of the Ordinary EDS Shares fluctuated between a range of HK14.98 to HK$5.00 during the period from 17 April 2015 to 18 November 2015. As at 18 November 2015, the Ordinary EDS Shares had decreased to HK$7.50.

As shown in the chart above, the closing prices of the Ordinary EDS Shares were predominantly below the Offer Price during the period from 10 November 2014 to 19 January 2015, being the date of the first trading halt. At such time the price of Ordinary EDS Shares remained undisturbed by the information contained in the resumption of trading announcement which was issued on the 21 January 2015. Following the first trading halt and up to the Latest Practicable Date, the closing prices of the Ordinary EDS Shares were above the Offer Price. During the Review Period, the highest closing price and the lowest closing price of the Ordinary EDS Shares was HK$15.00 on 2 June 2015 and HK$2.09 on 6 to 8 January 2015, respectively and the average closing price of the Ordinary EDS Shares during the Review Period (the "**Average Ordinary EDS Share Price**") was approximately HK$6.56. The average closing price of the Ordinary EDS Shares during the Review Period prior to the Trading Halt Announcement was approximately HK$2.63 (the "**Average Ordinary EDS Share Price Pre-Trading Halt Announcement**").

The Offer Price represents (i) a discount of approximately 72.9% to the highest closing price of the Ordinary EDS Shares during the Review Period; (ii) a premium of approximately 94.7% to the lowest closing price of the Ordinary EDS Shares during the Review Period; (iii) a discount of approximately 38.0% to the Average Ordinary EDS Share Price; (iv) a premium of approximately 54.6% to the Average Ordinary EDS Share Price Pre-Trading Halt Announcement; and (vi) a discount of approximately 45.7% to the closing price of the Ordinary EDS Share as at the Latest Practicable Date.

Since the Trading Halt Announcement the share price of Ordinary EDS Shares has increased substantially and remained inflated. Having considered, among other factors, that the Offer Price represents (i) a premium of approximately 54.6% to the Average Ordinary EDS Share Price Pre-Trading Halt Announcement; and (ii) a premium of approximately 723.9% over the net assets per Ordinary EDS Share of approximately HK$0.49 (based on the audited net assets attributable to owners of EDS of approximately HK$36,954,000 as at 30 June 2015 and 74,803,000 Ordinary EDS Shares in issue as at the Latest Practicable Date), we consider the Offer Price to be fair and reasonable.

The following table sets out the monthly total trading volume, the number of trading days in each month, the highest, lowest and average daily number of Ordinary EDS Shares traded in each month and the percentage of average daily trading volume of Ordinary EDS Shares as compared to the total number of Ordinary EDS Shares in issue during the Review Period:

Month	**Number of trading days**	**Total trading volume**	**Average daily trading volume**	**Approximately percentage of average daily trading volume to total number of Ordinary EDS Shares in issue**
		(number of Ordinary EDS Shares)	*(number of Ordinary EDS Shares)*	*(%)* *(Note 1)*
2014				
November	9	790,500	87,833	0.12%
December	21	805,854	38,374	0.05%

Month	Number of trading days	Total trading volume *(number of Ordinary EDS Shares)*	Average daily trading volume *(number of Ordinary EDS Shares)*	Approximately percentage of average daily trading volume to total number of Ordinary EDS Shares in issue *(%)* *(Note 1)*
2015				
January	17	3,436,925	202,172	0.27%
February	11	799,570	72,688	0.10%
March *(Note 3)*	0	Suspended	Suspended	Suspended
April	11	4,489,257	408,114	0.55%
May	19	3,257,400	171,442	0.23%
June	20	2,923,795	146,190	0.20%
July	22	663,000	30,136	0.04%
August	21	376,850	17,945	0.02%
September	20	829,950	41,498	0.06%
October	20	276,230	13,812	0.02%
November *(Note 2)*	13	447,750	34,442	0.05%

Source: Bloomberg

Note 1: Based on issued Ordinary EDS Shares as disclosed in the monthly return of EDS on movements in securities of EDS

Note 2: Up to and including the Latest Practicable Date and based on issued Ordinary EDS Shares prior to the Subscription

Note 3: Trading in the Ordinary EDS Shares on the Stock Exchange was suspended from 19 January 2015 to 21 January 2015 and 17 February 2015 to 15 April 2015

As illustrated above, from 18 November 2014 until the Second Trading Halt Announcement, the average daily trading volume of the Ordinary EDS Shares as a percentage of the total number of the Ordinary EDS Shares in issue ranged from approximately 0.05% to 0.27%. As such, we note that prior to the Joint Announcement the liquidity of the Ordinary EDS Shares was generally thin during the Review Period. Since the Second Trading Halt Announcement until the Latest Practicable Date, the average daily trading volume of the Ordinary EDS Shares as a percentage of the total number of the Ordinary EDS Shares in issue ranged from approximately 0.02% to 0.55%. As such, we note that since the Joint Announcement and up until the Latest Practicable Date, the liquidity of the Ordinary EDS Shares has improved slightly but remained generally thin.

ii. Comparison with comparable companies

In assessing the fairness and reasonableness of the Offer Price, we have considered using the price-to-earnings ratio (the "**P/E ratio(s)**") and the price-to-book ratios (the "**P/B ratio(s)**") of companies which are listed on the Main Board or the GEM of the Stock Exchange and which are engaged in similar businesses to those of the EDS Group for comparison purposes.

However, based on Appendix I to this Composite Document, the EDS Group recorded loss attributable to owners of the company of approximately HK$48.9 million for the year ended 31 December 2014 and approximately HK$7.4 million for the six months ended 30 June 2015. Furthermore, the Company has been loss making for five consecutive years/periods. As a result we are unable to value the company on a more typical P/E basis. As such, we do not consider any comparison of EDS's P/E ratio against the P/E ratios of other beauty product retailers and therapy service providers to be meaningful.

Moreover, the EDS Group has conducted a series of fundraising activities over the past two years, including the Convertible Bonds, Open Offer and Placing (the "**Fundraising Activities**"), in order to improve its net asset value. However, such activities would typically not be a sustainable solution. As such, we consider the current asset value the only relevant metric to value the EDS Group. The EDS Group recorded net assets attributable to owners of EDS of approximately HK$45.3 million as at 31 December 2014 and net assets per Ordinary EDS Share of approximately HK$0.61.

For the purpose of our comparable analysis, we have identified the following companies as relevant comparables to EDS based on the following criteria: (i) listed on the Main Board or the GEM of the Stock Exchange and engaging in businesses similar to those of the EDS Group; (ii) revenue generated from beauty and healthcare products and/or therapy services over 25% of its total revenue; (iii) revenue primarily generated in Hong Kong, Taiwan and Mainland China; and (iv) with a market capitalisation of less than HK$1.0 billion. Based on the aforementioned criteria, we have identified, to the best of our knowledge, an exhaustive list of five comparable companies (the "**Comparable Companies**"). As the Company is loss making, we consider the P/B ratio as the most appropriate means of comparison. Furthermore, we believe there are no other market-orientated valuation ratios which are commonly accepted within the market. Moreover, due to the nature of the EDS Group's business and as most of the Comparable Companies are profit making, we consider the P/B ratio may not be a fair representation of the market's valuation, nonetheless, we present the following analysis for the benefit of the Shareholders.

Stock code	**Company name**	**Principal Business**	**Share Price** *(Note 1)* *HK$*	**Market capitalisation** *(Note 1)* *HK$'million*	**Net assets attributable to owners** *(Note 1)* *HK$'million*	**P/E ratio (approximately)** *(Notes 2 & 7)*	**P/B ratio (approximately)** *(Note 2)*
8037	Rui Kang Pharmaceutical Group Investments Limited	Manufacture and sale of consumer cosmetics and trading securities	0.125	158	169	N/A	0.93
3828	Ming Fai International Holdings Limited	Manufacture and sale of amenity products	0.82	578	1,311	9.1	0.44
8185	RM Group Holdings Limited	Sales, marketing and distribution of health and beauty supplements	1.91	986	181	31.3	5.45
919	Modern Beauty Salon Holdings Limited	Provision of beauty and wellness services and sales of skincare and wellness products.	0.54	472	171	6.9	2.76

Stock code	Company name	Principal Business	Share Price (Note 1) HK$	Market capitalisation (Note 1) HK$'million	Net assets attributable to owners (Note 1) HK$'million	P/E ratio (approximately) (Notes 2 & 7)	P/B ratio (approximately) (Note 2)
8200	Sau San Tong Holdings Limited	Provision of beauty and slimming services from slimming centres, distribution sales of cosmetic and skin care products, sale of other health and beauty products and investment in securities.	0.096	350	367	9.3	0.95
					Minimum	6.9	0.44
					Maximum	31.3	5.45
					Average	14.1	2.11
8176	**EDS Group**		**4.07** *(Note 3)*	**304** *(Note 5)*	**45** *(Note 6)*	**N/A** *(Note 7)*	**6.72** *(Note 6)*

Source: the website of the Stock Exchange and the respective annual report of the listed company

Notes:

(1) The closing share price and market capitalisation of the Comparable Companies as at the Latest Practicable Date are sourced from the website of Stock Exchange. The market capitalisation of the Comparable Companies is calculated based on their respective closing share prices and number of issued shares as at the Latest Practicable Date. The latest published consolidated net asset value attributable to equity holders are extracted from the respective latest annual/interim reports/ announcements of the Comparable Companies.

(2) The P/E and P/B Ratios of the Comparable Companies are calculated based on their market capitalisation as at the Latest Practicable Date and their latest published consolidated net asset value and net profit attributable to equity holders.

(3) The Offer Price of HK$4.07 per Ordinary EDS Share.

(4) An exchange rate of HK$1.2193=RMB1 was used to convert companies reporting in RMB.

(5) We have taken the Offer Price and the issued share capital of EDS of 74,803,000 Ordinary EDS Shares for the purpose of determining the theoretical market capitalisation of EDS.

(6) The P/B Ratio of EDS is calculated based on the implied market capitalisation of EDS pursuant to the Offer Price of HK$4.07 and its latest published unaudited consolidated net asset value attributable to owners of the company as at 30 June 2015.

(7) Not available (N/A) indicates the company is loss making.

As shown in the above table, the historical P/B ratio of the Comparable Companies ranged from approximately 0.44 to 5.45, with an average of approximately 2.11. The P/B ratio for the Share Offer is calculated based the Offer Price for each Ordinary EDS Share over net assets per Ordinary EDS Share of approximately HK$0.61, being approximately 6.72, respectively. This is higher than the P/B Ratios of all of the Comparable Companies.

In spite of all the Fundraising Activities which the EDS Group has conducted over the past two years, the EDS Group has still been unable to improve its financial position. As such, we consider net asset value as the most appropriate measure of valuation of the EDS Group. Furthermore, we believe that Shareholders are most likely aware of the Fundraising Activities and may consider that the Offer provides them with the opportunity to exit the EDS Group at a significant premium to net asset value to be an attractive option. Moreover, we believe, companies which have made significant losses would typically trade closer to their net asset value.

Although the Offer Price represents (i) a discount of approximately 34.35% to the closing price of HK$6.20 per Ordinary EDS Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 16.94% to the closing price of HK$4.90 per Ordinary EDS Shares as quoted on the Stock Exchange on the Last Full Trading Day; and (iii) a discount of approximately 45.7% to the closing price of HK$7.50 per Ordinary EDS Share as quoted on the Stock Exchange on the Latest Practicable Date, we also note that (a) the Offer Price represents a premium of approximately 567.21% over the net assets per Ordinary EDS Share of approximately HK$0.61; (b) a premium of approximately 723.9% over the net assets per Ordinary EDS Share of approximately HK$0.49 (based on the unaudited net assets attributable to owners of EDS of approximately HK$36,954,000 as at 30 June 2015 and 74,803,000 Ordinary EDS Shares in issue as at the Latest Practicable Date); and (c) the P/B ratio for the Share Offer is higher than the P/B Ratios of all of the Comparable Companies. Based on EDS's current financial position and our above analysis with other Comparable Companies, there is no guarantee that the current market price of the Ordinary EDS Shares will sustain and will be higher than the Offer Price during and after the period for the acceptance of the Offer, thus, we are of the view that the Offer Price is fair and reasonable.

F. RECOMMENDATION

Having considered the factors and reasons set out in this letter, in particular,

1. as discussed in the paragraphs namely "(ii) Historical financial performance of the EDS Group" under the section headed "1. Information on the EDS Group" above, the EDS Group was loss-making for the nine months ended 30 September 2015, the six month financial period ended 31 December 2014 and for each of the three years ended 30 June 2012, 2013 and 2014 and, as discussed in detail under section headed "2. Prospects of the EDS Group" above, there is no guarantee that the EDS Group could improve its financial performance in the near future;

2. the Offer Price represents a significant premium to net asset value per share, as disclosed under the section headed "D. Principal terms of the Offer" above;

3. the New Business carries significant uncertainty as it has no track record;

4. the Offer Price represents a premium of approximately 54.6% over the Average Ordinary EDS Share Price during the Review Period up until the Pre-Trading Halt Announcement; and

5. the average daily trading volume of the Ordinary EDS Shares has been thin in general during the Pre-Trading Halt Announcement period and the Independent EDS Shareholders may find it difficult to dispose of a significant number of Ordinary EDS Shares in the open market without causing an adverse impact on the market price level of the Ordinary EDS Shares. The Offer, therefore, represents an opportunity for the Independent EDS Shareholders to dispose of their entire holdings at the Offer Price of HK$4.07 each,

we consider the terms of the Offer to be fair and reasonable so far as the Independent EDS Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent EDS Shareholders to accept the Offer.

The Independent EDS Shareholders, in particular those who intend to accept the Offer, are reminded to note the recent fluctuation in the price of the Ordinary EDS Shares. There is no guarantee that the current market price of the Ordinary EDS Shares will or will not sustain and will or will not be higher than the Offer Price during and after the period for the acceptance of the Offer. The Independent EDS

Shareholders who intend to accept the Share Offer are reminded to closely monitor the market price and the liquidity of the Ordinary EDS Shares during the period for the acceptance of the Offer and shall, having regard to their own circumstances and investment objectives, consider selling their Ordinary EDS Shares in the open market, instead of accepting the Offer, if the net proceeds from the sale of such Ordinary EDS Shares would be higher than that receivable under the Offer.

The Independent EDS Shareholders are also reminded that their decisions to dispose of or hold their investment in the Ordinary EDS Shares are subject to their individual circumstances and investment objectives. The Independent Shareholders should read carefully the procedures for accepting the Offer as detailed in the Composite Document, the appendices to the Composite Document and the form of acceptance, if they wish to accept the Offer.

Yours faithfully
For and on behalf of
Investec Capital Asia Limited
Alexander Tai
Managing Director

Mr. Tai of Investec is a responsible officer of Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He has been active in the field of corporate finance advisory for over 20 years, and has been involved in and completed various corporate finance advisory transactions in Hong Kong.

1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the accompanying Form of Share Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

(a) If the Ordinary EDS Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Ordinary EDS Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed Form of Share Acceptance together with the relevant Ordinary EDS Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) by post or by hand to the Registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, marked "The Offer — EDS Wellness Holdings Limited" on the envelope, as soon as possible after receipt of this Composite Document and in any event no later than 4:00 p.m. on the Closing Date, or such later time and/or date as Xing Hang may determine and announce in accordance with the provisions of the Takeovers Code.

(b) If the Ordinary EDS Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Ordinary EDS Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Ordinary EDS Share(s), you must either:

(i) lodge your Ordinary EDS Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed Form of Share Acceptance together with the relevant Ordinary EDS Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(ii) arrange for the Ordinary EDS Share(s) to be registered in your name by EDS through the Registrar, and send the duly completed Form of Share Acceptance together with the relevant Ordinary EDS Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(iii) if your Ordinary EDS Share(s) has/have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorize HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar). In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Ordinary EDS Share(s) has/have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar).

(c) If the Ordinary EDS Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Ordinary EDS Share(s) is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Ordinary EDS Share(s), the Form of Share Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Ordinary EDS Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Ordinary EDS Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Ordinary EDS Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(d) If you have lodged transfer(s) of any of your Ordinary EDS Share(s) for registration in your name and have not yet received your Ordinary EDS Share certificate(s), and you wish to accept the Offer in respect of your Ordinary EDS Share(s), you should nevertheless complete the Form of Share Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Kingston Securities and/or Xing Hang or their respective agent(s) to collect from the Registrar on your behalf the relevant Ordinary EDS Share certificate(s) when issued and to deliver such Ordinary EDS Share certificate(s) to the Registrar, and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Share Acceptance.

(e) Acceptance of the Offer will be treated as valid only if the completed and signed Form of Share Acceptance is received by the Registrar, in compliance with Note 1 of Rule 30.2 of the Takeovers Code, no later than 4:00 p.m. on the Closing Date or such later time and/or date as Xing Hang may determine and announce with the consent of the Executive in accordance to the Takeovers Code and the Registrar has recorded that the acceptance and the relevant documents as required under this paragraph have been so received and in accordance with Note 1 of Rule 30.2 of the Takeovers Code, and is:

(i) accompanied by the relevant Ordinary EDS Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the Ordinary EDS Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Ordinary EDS Share(s); or

(ii) from a registered EDS Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Ordinary EDS Shares which are not taken into account under another subparagraph of this paragraph (e)); or

(iii) certified by the Registrar or the Stock Exchange.

(f) If the Form of Share Acceptance is executed by a person other than the registered EDS Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

(g) Seller's ad valorem stamp duty for transfer of Ordinary EDS Shares registered on the Registrar arising in connection with acceptance of the Offer will be payable by relevant accepting Independent EDS Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by Xing Hang in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the cash amount payable by Xing Hang to such Independent EDS Shareholder on acceptance of the Offer. Xing Hang will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent EDS Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

(h) No acknowledgement of receipt of any Form of Share Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

(a) Unless the Offer has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form of Share Acceptance must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the Form of Share Acceptance, and the Offer will be closed on the Closing Date.

(b) Xing Hang and EDS will jointly issue an announcement through the websites of the Stock Exchange and EDS no later than 7:00 p.m. on the Closing Date stating whether the Offer have expired or have been revised or extended.

(c) In the event that Xing Hang decides to extend the Offer, at least 14 days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Independent EDS Shareholders who have not accepted the Offer. The execution of any Form of Share Acceptance by or on behalf of any Independent EDS Shareholders who have previously accepted the Offer shall be deemed to constitute acceptance of any revised Offer.

(d) If Xing Hang revises the terms of the Offer, all Independent EDS Shareholders, whether or not they have already accepted the Offer will be entitled to the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.

(e) If the Closing Date is extended, any reference in this Composite Document and in the Form of Share Acceptance to the Closing Date shall, except where the context otherwise requires be deemed to refer to the Closing Date so extended.

3. ANNOUNCEMENT

As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), Xing Hang must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. Xing Hang must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the Offer have been revised or extended or have expired.

Such announcement must state the following:

(i) the total number of Ordinary EDS Shares and rights over Ordinary EDS Shares for which acceptances of the Offer have been received;

(ii) the total number of Ordinary EDS Shares and rights over Ordinary EDS Shares held, controlled or directed by Xing Hang or its concert parties before the Offer Period;

(iii) the total number of Ordinary EDS Shares and rights over Ordinary EDS Shares acquired or agreed to be acquired by Xing Hang or its concert parties during the Offer Period;

(iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in EDS which Xing Hang or any parties acting in concert with it has borrowed or lent, save for any borrowed securities which have been either on-lent or sold; and

(v) the percentages of the relevant classes of share capital of EDS and the percentages of voting rights of EDS represented by these numbers.

In computing the total number of Ordinary EDS Shares represented by acceptances, only valid acceptances in complete and good order and in compliance with Note 1 to Rule 30.2 of the Takeovers Code which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

4. RIGHT OF WITHDRAWAL

(a) Acceptance of the Offer tendered by the Independent EDS Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.

(b) If Xing Hang is unable to comply with the requirements set out in paragraph 3 of this Appendix headed "Announcement" above, the Executive may require, pursuant to Rule 19.2 of the Takeovers Code, that the Independent EDS Shareholders who have tendered acceptance to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirement of Rule 19 of the Takeovers Code can be met.

In such case, when the Independent EDS Shareholders withdraw their acceptance(s), Xing Hang shall, as soon as possible but in any event within ten days thereof, return by ordinary post the Ordinary EDS Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Share Acceptance to the relevant Independent EDS Shareholder(s) at their own risk.

5. SETTLEMENT OF THE OFFER

Provided that the accompanying Form of Share Acceptance, together with the Ordinary EDS Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Independent EDS Shareholders in respect of the Ordinary EDS Shares tendered under the Offer (less seller's ad valorem stamp duty payable by the respective Independent EDS Shareholders) will be despatched to the accepting Independent EDS Shareholders by ordinary post at their own risk within seven Businesses Days after the date of receipt of all relevant documents which render such acceptance complete and valid by the Registrar and in accordance with the Takeovers Code. Settlement of the consideration to which any accepting Independent EDS Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect of the payment of seller's ad valorem stamp duty) set out in this Composite Document (including this Appendix) and the accompanying Form of Share Acceptance, without regard to any lien, right of set-off, counterclaim or other analogous right to which Xing Hang may otherwise be, or claim to be, entitled against such Independent EDS Shareholder.

No fraction of a cent will be payable and the amount of consideration payable to an Independent EDS Shareholder who accepts the Offer will be rounded up to the nearest cent.

6. OVERSEAS EDS SHAREHOLDERS

The making of the Offer to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas EDS Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of Overseas EDS Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions). Acceptance of the Offer by any Overseas EDS Shareholders will be deemed to constitute a representation and warranty from such person to Xing Hang, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. The Overseas EDS Shareholders are recommended to seek professional advice on deciding whether to accept the Offer.

7. TAX IMPLICATIONS

The Independent EDS Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer.

It is emphasised that none of EDS, Xing Hang, their ultimate beneficial owners and parties acting in concert with any of them, Kingston Corporate Finance, Kingston Securities, Investec, the Registrar, or any of their respective directors, officers, agents, associates or professional advisers or any other persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance or rejection of the Offer.

8. GENERAL

(a) All communications, notices, Form of Share Acceptance, Ordinary EDS Share certificates, transfer receipts and other documents of title or of indemnity or of any other nature to be delivered by or sent to or from the Independent EDS

Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of EDS, the Registrar, Xing Hang, their ultimate beneficial owners and parties acting in concert with any of them, Kingston Corporate Finance, Kingston Securities, Investec, or any of their respective directors, officers, agents, associates, professional advisers or any other person involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.

(b) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to Xing Hang that the Ordinary EDS Shares tendered under the Offer are sold by such person or persons free from all liens, charges, claims, equities, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the rights to receive dividends if any, declared, made or paid by EDS on the posting of this Composite Document.

(c) Acceptance of the Offer by any nominee of any person will be deemed to constitute a warranty by such nominee to Xing Hang that the number of Ordinary EDS Shares in respect of which it is indicated in the Form of Share Acceptance the aggregate number of Ordinary EDS Shares held by such nominee for such beneficial owners who accept the Offer.

(d) The provisions set out in the accompanying Form of Share Acceptance form part of the terms of the Offer.

(e) The accidental omission to despatch this Composite Document and/or the accompanying Form of Share Acceptance and transfer or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.

(f) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Share Acceptance by or on behalf of an Independent EDS Shareholder will constitute such shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offer.

(g) Due execution of Form of Share Acceptance in compliance with Note 1 to Rule 30.2 of the Takeovers Code will constitute an authority to Xing Hang or its agents to complete and execute on behalf of the person accepting the Offer, and to do any other act that may be necessary or expedient for the purpose of vesting in Xing Hang, or such other person as it may direct.

(h) The Offer is made in accordance with the Takeovers Code.

(i) In making their decision, Independent EDS Shareholders must rely on their own examination of the EDS Group, Xing Hang and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Share Acceptance, shall not be construed as any legal or business advice on the part of Xing Hang, EDS, Kingston Corporate Finance, Kingston Securities, Investec or their respective professional advisers. Independent EDS Shareholders should consult their own professional advisers for professional advice.

(j) The English text of this Composite Document and of the accompanying Form of Share Acceptance shall prevail over the Chinese text.

1. SUMMARY OF THE FINANCIAL INFORMATION

Set out below is a summary of the audited financial results of EDS Group for each of the years ended 30 June 2012, 2013, 2014 and the six months ended 31 December 2014, and the unaudited financial results of EDS Group for the nine months ended 30 September 2015 as extracted from the annual reports of EDS for the years ended 30 June 2012, 2013 and 2014, the annual report of EDS for the six months ended 31 December 2014 and the third quarterly report of EDS for the nine months ended 30 September 2015, respectively.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the nine months ended 30 September 2015	For the nine months ended 30 September 2014	For the six months ended 31 December 2014	For the year ended 30 June 2014	2013	2012
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)	(Audited)
Turnover	*4*	32,370	30,003	22,084	27,582	8,140	702
Cost of sales		(23,639)	(18,653)	(15,155)	(16,597)	(11,686)	(1,213)
Gross profit		8,731	11,350	6,929	10,985	(3,546)	(511)
Other revenue	5	226	2,968	3,408	4,949	9,121	987
Selling and distribution costs		(1,457)	(972)	(942)	(996)	(2,292)	(2)
Administrative expenses		(23,694)	(16,858)	(7,922)	(18,325)	(21,848)	(7,809)
Impairment loss recognised in respect of intangible assets		—	—	—	—	—	(7,488)
Impairment loss recognised in respect of deposits, prepayments and other receivables		—	(80)	(46,519)	(80)	(1,254)	(240,593)
Gain on de-consolidation of subsidiaries		—	—	—	—	—	155,547
Loss from operations	*6*	(16,194)	(3,592)	(45,046)	(3,467)	(19,819)	(99,869)
Finance costs	*7*	(734)	(4,711)	(1,170)	(6,664)	(3,749)	(520)
Loss before taxation		(16,928)	(8,303)	(46,216)	(10,131)	(23,568)	(100,389)
Income tax expense	*8*	(634)	(875)	(827)	(487)	—	—
Loss for the period/year		(17,562)	(9,178)	(47,043)	(10,618)	(23,568)	(100,389)

	Notes	For the nine months ended 30 September 2015	For the nine months ended 30 September 2014	For the six months ended 31 December 2014	For the year ended 30 June 2014	2013	2012
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)	(Audited)
Other comprehensive income/(expenses) for the period/year							
Item that may be subsequently reclassified to profit or loss:							
Exchange differences on translating foreign operations		(72)	(5)	1	1	9	—
Release of translation reserve upon de-consolidation of subsidiaries		—	—	—	—	—	4
Other comprehensive income for the period/year		(72)	(5)	1	1	9	4
Total comprehensive expenses for the period/year		(17,634)	(9,183)	(47,042)	(10,617)	(23,559)	(100,385)
Loss for the period/year attributable to:							
Owners of the Company		(18,989)	(11,280)	(48,939)	(11,768)	(23,568)	(100,389)
Non-controlling interests		1,427	2,102	1,896	1,150	—	—
		(17,562)	(9,178)	(47,043)	(10,618)	(23,568)	(100,389)
Total comprehensive expenses for the period/year attributable to:							
Owners of the Company		(19,061)	(11,285)	(48,938)	(11,767)	(23,559)	(100,385)
Non-controlling interests		1,427	2,102	1,896	1,150	—	—
		(17,634)	(9,183)	(47,042)	(10,617)	(23,559)	(100,385)
Loss per share	10						
— Basic and diluted		HK(25.4) cents	HK(44.4) cents	HK(78.71) cents	HK(89.68) cents	HK(1.80) cents	HK(7.71) cents

Notes:

There were no items which were exceptional because of size, nature or incidence recorded on the financial statements of EDS during each of the three years ended 30 June 2012 , 2013 and 2014, the six months ended 31 December 2014 and the nine months ended 30 September 2015.

EDS did not pay or declare any dividends for the three years ended 30 June 2012, 2013 and 2014, the six months ended 31 December 2014 and the nine months ended 30 September 2015.

AUDIT OPINION

The auditors issued disclaimer opinions in respect of the financial results of the EDS Group for each of the three years ended 30 June 2012, 2013 and 2014 and a qualified opinion in respect of the financial results of the EDS Group for the six months ended 31 December 2014. The financial results of the EDS Group for the nine months ended 30 September 2015 were not audited by the auditors. Set out below are the disclaimer opinions and qualified opinion and their corresponding basis based on the relevant annual reports of EDS. Capitalized terms used below have the same meanings as defined in the related annual reports of EDS.

For the year ended 30 June 2012

Basis for disclaimer of opinion

(1) Opening balances and corresponding figures

The 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 the audit and the material uncertainty in relation to going concern, details of which are set out in the independent auditors' report dated 8 June 2012. Accordingly, the auditors 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

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

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, the auditors 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

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 the auditors 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

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. The auditors 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, the auditors disclaim their 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, the auditors have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, the auditors 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.

For the year ended 30 June 2013

Basis for disclaimer of opinion

(1) Investment in unconsolidated subsidiaries

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. The auditors 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

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, the auditors 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**"). 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. The auditors were unable to obtain sufficient appropriate audit evidence regarding to the valuation of the Other Receivable and there were no alternative audit procedures that the auditors 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

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. The auditors 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

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. The auditors 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, the auditors 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, the auditors have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, the auditors 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.

For the year ended 30 June 2014

Basis for disclaimer of opinion

(1) Investment in Unconsolidated Subsidiaries

The directors of the Company are unable to obtain complete books and records of Blu Spa (Hong Kong) Limited ("**BSHK**") and its subsidiaries (the "**BSHK Group**"), Blu Spa International Limited and Blu Spa Management Services Limited (collectively referred to as the "**Unconsolidated Subsidiaries**") of which 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 and the notice of appointment of joint and several liquidators were published on the government gazette on 26 February 2013. The Company further made an announcement dated 9 April 2013 regarding the result of the Company's engagement of an independent professional firm to investigate and comment on the reasons of the resignation of the former auditors of the Group and the basis for disclaimer of opinion in respect of the Group's consolidated financial statements for the year ended 30 June 2011 (the "**Forensic Investigation**") and the findings of the Forensic Investigation indicate that there were possible irregularities in respect of a considerable number of past transactions and possible misstatements of certain transactions and balances recorded in the books and records of the Group which mainly concern the Group's operation involving the BSHK Group. Due to lack of complete books and records of the Unconsolidated Subsidiaries, the financial statements of the Unconsolidated Subsidiaries have not been consolidated into the Group's consolidated financial statements for the year ended 30 June 2014.

Due to lack of complete books and records of the Unconsolidated Subsidiaries mentioned above, the auditors 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. The auditors have also not been able to obtain sufficient appropriate audit evidence and explanations to determine whether the carrying amounts of the investments in the Unconsolidated Subsidiaries were free from material misstatements. Any adjustments that might have been found to be necessary would have a consequential significant effect on the net assets of the Group at 30 June 2014 and the loss and cash flows of the Group for the year ended 30 June 2014.

(2) Balances with the Unconsolidated Subsidiaries

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

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

(3) Other receivable

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

(4) Opening balances and corresponding figures

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

Disclaimer of opinion

Because of the significance of matters described in the Basis for Disclaimer of Opinion paragraphs, the auditors have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, the auditors 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.

For the six months ended 31 December 2014

Basis for qualified opinion

Opening balances and corresponding figures

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

Qualified opinion

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

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF EDS GROUP

Capitalised terms used in this section 2 have the same meanings as defined in the related annual reports of EDS.

A. Annual report of EDS Group for the year ended 30 June 2013

Set out below are the audited financial statements of EDS Group for the year ended 30 June 2013 together with the relevant rates thereto as extracted from the annual report of EDS for the year ended 30 June 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 30 June	
		2013	**2012**
	Notes	*HK$'000*	*HK$'000*
Turnover	*8*	8,140	702
Cost of sales		(11,686)	(1,213)
Gross loss		(3,546)	(511)
Other income	*10*	9,121	987
Selling and distribution costs		(2,292)	(2)
Administrative expenses		(21,848)	(7,809)
Impairment loss recognised in respect of intangible asset	*17*	—	(7,488)
Impairment loss recognised in respect of deposits, prepayments and other receivables	*22*	(1,254)	(240,593)
Gain on de-consolidation of subsidiaries	*31*	—	155,547
Finance costs	*11*	(3,749)	(520)
Loss before tax	*13*	(23,568)	(100,389)
Income tax expense	*14*	—	—
Loss for the year		(23,568)	(100,389)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		9	—
Release of translation reserve upon de-consolidation of subsidiaries	*31*	—	4
Other comprehensive income for the year		9	4
Total comprehensive expenses for the year		(23,559)	(100,385)

		For the year ended 30 June	
		2013	**2012**
	Notes	*HK$'000*	*HK$'000*
Loss for the year attributable to:			
Owners of the Company		(23,568)	(100,389)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		(23,559)	(100,385)
Loss per share (HK cents)	*16*		
— Basic and diluted		(1.80)	(7.71)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Intangible asset	17	—	—
Property, plant and equipment	18	8,301	3,156
		8,301	3,156
Current assets			
Inventories	20	1,137	1,943
Trade receivables	21	646	225
Deposits, prepayments and other receivables	22	41,932	52,047
Bank balances and cash	23	1,815	308
		45,530	54,523
Current liabilities			
Amount due to a former director	24	64	64
Deposits from customers	25	455	551
Accruals and other payables	26	8,831	11,451
Obligation under financial leases	27	43	105
Other borrowing	28	42,400	19,586
		51,793	31,757
Net current (liabilities)/assets		(6,263)	22,766
Total assets less current liabilities		2,038	25,922
Non-current liability			
Obligation under financial leases	27	124	449
Net assets		1,914	25,473
Equity attributable to owners of the Company			
Share capital	29	131,220	131,220
Reserves		(129,306)	(105,747)
Total equity		1,914	25,473

STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	18	9	1,815
Interests in subsidiaries	19	28,180	3,557
		28,189	5,372
Current assets			
Deposits, prepayments and other receivables	22	40,438	47,786
Bank balances and cash	23	179	162
		40,617	47,948
Current liabilities			
Amount due to a former director	24	64	64
Accruals and other payables	26	6,626	4,703
Obligation under finance lease	27	—	97
Other borrowing	28	42,400	19,586
		49,090	24,450
Net current (liabilities)/assets		(8,473)	23,498
Total assets less current liabilities		19,716	28,870
Non-current liability			
Obligation under finance lease	27	—	417
Net assets		19,716	28,453
Equity attributable to owners of the Company			
Share capital	29	131,220	131,220
Reserves	30	(111,504)	(102,767)
Total equity		19,716	28,453

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

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

Notes:

1) Merger reserve

The merger reserve of the Group represents the differences between the carrying amount of the share capital and share premium of Blu Spa Group Limited at the date on which it was acquired by the Company and the nominal amount of the Company's share issued in exchange pursuant to the Group reorganisation.

2) Translation reserve

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2013

	2013	2012
	HK$'000	*HK$'000*
Operating activities		
Loss before tax:	(23,568)	(100,389)
Adjustments for:		
Interest income	(4,553)	—
Interest expenses	3,749	520
Loss on disposal of property, plant and equipment	122	—
Gain on disposal of property, plant and equipment	(53)	—
Gain on defaulted payment of the refundable deposit	(4,500)	—
Depreciation on property, plant and equipment	1,571	126
Gain on de-consolidation of subsidiaries	—	(155,547)
Written off of deposits, prepayments and other receivables	192	—
Impairment loss recognised in respect of intangible assets	—	7,488
Impairment loss recognised in respect of deposits, prepayments and other receivables	1,254	240,593
Written down of property, plant and equipment	1,145	—
Operating cash flows before movements in working capital	(24,641)	(7,209)
Decrease/(increase) in inventories	806	(1,943)
Increase in trade receivables	(421)	—
Decrease/(increase) in deposits, prepayments and other receivables	13,168	(28,312)
(Decrease)/increase in accruals and other payables	(2,619)	5,443
Decrease in amount due to a former director	—	(18)
(Decrease)/increase in deposits from customers	(96)	551
Cash used in operating activities	(13,803)	(31,488)
Interest paid	(3,749)	(520)
Net cash used in operating activities	(17,552)	(32,008)

	2013	2012
	HK$'000	*HK$'000*
Investing activities		
Net cash outflows from de-consolidation of subsidiaries	—	(66)
Proceeds from disposal of property, plant and equipment	1,814	17
Purchases of property, plant and equipment	(9,744)	(2,719)
Interest received	4,553	—
Net cash used in investing activities	(3,377)	(2,768)
Financing activities		
Proceeds from other borrowing	24,905	19,780
Repayment of other borrowing	(2,091)	(2,194)
Proceed from issue of new shares	—	16,500
Payment of transaction costs attributable to issue of shares	—	(412)
Proceed from obligation under finance lease	150	—
Repayment of obligation under finance leases	(537)	(26)
Net cash generated from financing activities	22,427	33,648
Net increase/(decrease) in cash and cash equivalents	1,498	(1,128)
Cash and cash equivalents at 1 July	308	1,436
Effect of foreign exchange rate changes	9	—
Cash and cash equivalents at 30 June	1,815	308
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	1,815	308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company in Hong Kong are disclosed in the corporate information to the annual report.

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

The Company is an investment holding company and the principal activities of its principal subsidiaries are disclosed in note 36.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Going concern basis

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

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

The consolidated financial statements have been prepared on a going concern basis. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favorable outcomes of (i) the repayment of the Other

Receivable due from a debtor of approximately HK$40,207,000 (for the year ended 30 June 2012: HK$Nil) of which details were set out in note 22(c) to the consolidated financial statements; (ii) the extension of repayment of loan facility of approximately HK$42,400,000 (for the year ended 30 June 2012: approximately HK$19,586,000) granted by a company owned by an executive director of which details were set out in the Company's announcement dated 30 August 2013; (iii) the completion of the conditional subscription agreement in respect of the issue of convertible bonds in the principal amount of HK$40,000,000 of which details were set out in the Company's announcements dated 21 March 2013, 11 April 2013, 25 April 2013, 9 May 2013, 24 May 2013, 11 June 2013 and the Company's circular dated 23 May 2013 and (iv) the completion of the conditional unsecured loan agreement in the principal amount of HK$40,000,000 of which details were set out in the Company's announcements dated 21 March 2013, 11 April 2013, 25 April 2013, 9 May 2013, 24 May 2013, 11 June 2013 and the Company's circular dated 23 May 2013 (the "Proposed Plans").

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

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

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

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

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

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

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

(g) the capital reorganisation having become effective.

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

(a) completion of the Subscription Agreement;

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

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

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

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

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

Investment in unconsolidated subsidiaries

The consolidated financial statements for the year ended 30 June 2013 were prepared based on the books and records maintained by the Company and its subsidiaries. However, the directors and management of certain subsidiaries of the Company, namely, Blu Spa (Hong Kong) Limited ("BSHK") and its subsidiaries (the "BSHK Group"), Blu Spa International Limited and Blu Spa Management Services Limited (together, the "Unconsolidated Subsidiaries") for the year ended 30 June 2013, have not provided complete documentary information and reasonable explanation in respect of the transactions asserted to have been undertaken. The Directors have not been able to obtain complete documentary information to satisfy themselves regarding the accounting treatments in respect of those transactions for the year ended 30 June 2013.

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

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

Given these circumstances, the Directors have not consolidated the financial statements of the Unconsolidated Subsidiaries in these consolidated financial statements. As such, the results, assets and liabilities of the Unconsolidated Subsidiaries have not been included into the consolidated financial statements of the Group since 1 July 2011. At 30 June 2013, the amounts due from the Unconsolidated Subsidiaries to the Group and the Company of approximately HK$241,847,000 and HK$238,883,000 respectively of which accumulated impairment losses of approximately HK$240,593,000 and HK$237,641,000 were recognised in the previous years. The Directors are of the view that the carrying amounts of these amounts were not recoverable and impairment loss of approximately HK$1,254,000 was recognised for the year ended 30 June 2013. In addition, the Group recorded amounts due to the Unconsolidated Subsidiaries of approximately HK$1,309,000 at 30 June 2013.

In the opinion of the Directors, these consolidated financial statements for the year ended 30 June 2013 and 30 June 2012 are prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid incomplete books and records of the Unconsolidated Subsidiaries and result of the Forensic Investigation. However, the de-consolidation of the Unconsolidated Subsidiaries from the beginning of the year 1 July 2011 was not in compliance with the requirements of the Hong Kong Accounting Standard 27 (Revised) "Consolidated and Separate Financial Statements".

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

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

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

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

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

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

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

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

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

HKFRS 9 *Financial Instruments*

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

Key requirements of HKFRS 9 are described below:

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

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

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

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

Key requirements of these five standards are described below:

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

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

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

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

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

HKFRS 13 *Fair Value Measurement*

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

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

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

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

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

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

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

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

The *Annual Improvements to HKFRSs 2009–2011 Cycle* include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 *Property, Plant and Equipment* and the amendments to HKAS 32 *Financial Instruments: Presentation*.

Amendments to HKAS 16

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

Amendments to HKAS 32

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

Amendments to HKAS 19 ***Employee Benefits***

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are set out below.

(a) Basis of consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS/HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(b) Foreign currency transaction

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars (HK$), which is the Company's functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss and other comprehensive income within "finance cost". All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income within "other income".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in the statement of profit or loss and other comprehensive income.

(c) 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 Group 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%
Motor vehicles	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.

(d) Intangible asset

Trademark

Trademark is shown at historical cost and has a finite useful life and is carried at cost less accumulated amortisation and less any identified impairment loss. Amortisation is calculated using the straight-line method to allocate the cost of trademark over its estimated useful lives of 20 years.

(e) 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 each reporting date.

(f) 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 Group'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 and 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 period. 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 each reporting period. Financial assets are impaired when 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) breach of contract, such as a default or delinquency in interest or principal payments; or

(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, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group'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 instruments

Debt and equity instruments issued by a group entity 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 Group'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 period. 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, other borrowing, obligation under finance leases and amount due to a former director) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Repurchase of the 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 Company's own equity instruments.

Derecognition

The Group derecognises a financial asset only when the contracted rights to receive cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, 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.

The Group derecognise financial liabilities when, and only when, the Group's obligation are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

(g) 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.

(h) 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.

(i) Cash and cash equivalents

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

(j) 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 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 Company's equity holders.

(k) 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.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are 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.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(m) 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.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and its recognised when it is probable that the economic benefit will flow to the Group and the amount of revenue can be measured reliably.

Revenue from sales of beauty products and beauty equipment is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the beauty products and beauty equipment are delivered to customers. Revenue is shown net of value add tax, returns, rebates and discounts and after eliminating sales within the Group.

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

Revenue from service income is recognised when service are provided. Payments that are related to service not yet rendered are shown as deposits from customers in the consolidated financial statements.

(o) 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 consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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. Deferred tax assets are generally 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 associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which 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.

(p) 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 Group as lessee

Assets held under finance leases are recognised as assets of the Group 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 consolidated 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 Group'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.

(q) Retirement benefits costs

The Group 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 Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(r) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group 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.

(s) Related parties

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

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

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

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

(1) the entity and the Group 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 a joint venture of the other entity (or an associate or a 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 Group or an entity related to the Group.

(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.

(t) 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 Group. 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 consolidated 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 Group. Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, 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.

Critical judgements in applying accounting policies

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

Useful lives of property, plant and equipment

The Group 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 Group 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.

Impairment loss of trade and other receivables

The policy for impairment loss recognised in respect of trade and other receivables of the Group 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 Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Impairment loss of intangible asset

The Group performs annual tests on whether there has been impairment of intangible asset in accordance with the accounting policy stated in note 4(d). The recoverable amount is determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

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.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$000*
Financial assets				
Loans and receivables (including bank balances and cash)	44,122	52,203	68,563	51,500
Financial liabilities				
Amortised cost	51,462	31,655	49,090	24,867

(b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include interests in subsidiaries, trade receivables, deposits and other receivables, bank balances and cash, amount due to a former director, accruals and other payables, other borrowing and obligation under finance leases. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the polices 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 Group's and the 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 year ended 30 June 2013 and 30 June 2012, the Group and the 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 Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The Group 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 Group and the Company has no significant interest bearing financial instruments except bank balances, other receivables and other borrowing. Details of the financial instruments are disclosed in respective notes. The Group and the 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

If floating rates had been 5% higher/lower, the Group's:

- Profit before tax for the year ended 30 June 2013 would increase/ decrease by approximately HK$Nil (2012: HK$ 96,000).

- No impact to the other component of equity for the year ended 30 June 2013 and 2012.

Credit risk

At 30 June 2013, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from deposits and other receivables.

In order to minimise the credit risk, the management of the Group 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 Group 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 Group's credit risk is significant reduced.

In respect of trade and other 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 Group's funding and liquidity management requirements. The Group 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 Group's and the 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 Group and the Company can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than 1 year	Between 1 and 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Group						
At 30 June 2013						
Amount due to a former director	–	64	–	–	64	64
Accruals and other payables	–	8,831	–	–	8,831	8,831
Obligation under finance leases	3.25%	51	132	–	183	167
Other borrowing	12%	47,488	–	–	47,488	42,400
		56,434	132	–	56,566	51,462

	Weighted average effective interest rate	Less than 1 year	Between 1 and 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2012						
Amount due to a former director	—	64	—	—	64	64
Accruals and other payables	—	11,451	—	—	11,451	11,451
Obligation under finance leases	1.26%	130	491	—	621	554
Other borrowing	2.62%	20,099	—	—	20,099	19,586
		31,744	491	—	32,235	31,655
The Company						
At 30 June 2013						
Accruals and other payables	—	6,626	—	—	6,626	6,626
Other borrowing	12%	47,488	—	—	47,488	42,400
Amount due to a former director	—	64	—	—	64	64
		54,178	—	—	54,178	49,090
At 30 June 2012						
Amount due to a former director	—	64	—	—	64	64
Accruals and other payables	—	4,703	—	—	4,703	4,703
Obligation under finance lease	1.36%	122	459	—	581	514
Other borrowing	2.62%	20,099	—	—	20,099	19,586
		24,988	459	—	25,447	24,867

(c) Fair value of financial instruments

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

- the fair values 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 consider that the carrying amounts of financial assets and financial liabilities are recorded in the consolidated financial statements approximate to their fair values.

(d) Fair value measurements recognised in the consolidated statement of financial position

The carrying value of financial instruments are measured at fair value at 30 June 2013 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 30 June 2013, the Group 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 (2012: Nil).

7. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to safeguard the entities in the Group 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 Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares or obtain borrowings from banks or other third parties. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2012 and 30 June 2013.

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

	2013	**2012**
	HK$'000	*HK$'000*
Borrowing	42,400	19,586
Cash and cash equivalents *(Note)*	(1,815)	(308)
Net debt	40,585	19,278
Equity attributable to owners of the Company	1,914	25,473
Net debt to total equity ratio	2,120.4%	75.7%

Note:

Cash and cash equivalents comprise bank balances and cash on hand at the end of the reporting period.

8. TURNOVER

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

9. SEGMENT INFORMATION

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

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

(i) Sales of beauty equipment

(ii) Sales of beauty products

(iii) Therapy services

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

For the year ended 30 June 2013

OPERATING SEGMENT	Sales of beauty equipment HK$'000	Sales of beauty products HK$'000	Therapy services HK$'000	Segment total HK$'000
REVENUE				
Revenue from external customers	1,140	4,478	2,522	8,140
RESULTS				
Segment profit/(loss) for reportable segment	72	(4,269)	(1,641)	(5,838)
Other income				9,121
Unallocated administrative expenses				(19,114)
Finance costs				(3,749)
Loss before tax				(19,580)
Income tax expense				—
Core loss for the year				(19,580)
MAJOR NON-CASH ITEMS				
Depreciation				(1,397)
Impairment loss recognised in respect of deposits, prepayments and other receivables				(1,254)
Written down of property, plant and equipment				(1,145)
Written off of deposits, prepayments and other receivables				(192)
				(23,568)

For the year ended 30 June 2012

OPERATING SEGMENT	Sales of beauty equipment *HK$'000*	Sales of beauty products *HK$'000*	Therapy services *HK$'000*	Segment total *HK$'000*
REVENUE				
Revenue from external customers	—	208	494	702
RESULTS				
Segment loss for reportable segment	—	(220)	(291)	(511)
Other income				987
Unallocated administrative expenses				(7,811)
Finance costs				(520)
Loss before tax				(7,855)
Income tax expense				—
Core loss for the year				(7,855)
MAJOR NON-CASH ITEMS				
Impairment loss recognised in respect of intangible asset				(7,488)
Impairment loss recognised in respect of deposits, prepayments and other receivables				(240,593)
Gain on de-consolidation of subsidiaries				155,547
				(100,389)

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

The accounting policies of the operating segments are the same as the Group's accounting policies as described in note 4.

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

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to reportable segments other than those assets and liabilities related to corporate administration.

Segment assets and liabilities

	Sales of beauty equipment *HK$'000*	**Sales of beauty products** *HK$'000*	**Therapy services** *HK$'000*	**Segment total** *HK$'000*
2013				
ASSETS				
Segment assets	—	1,107	1,976	3,083
Unallocated corporate assets				50,748
Consolidated total assets				53,831
LIABILITIES				
Segment liabilities	—	—	(650)	(650)
Unallocated corporate liabilities				(51,267)
Consolidated total liabilities				(51,917)
Other segment information:				
Additions of property, plant and equipment				9,744
2012				
ASSETS				
Segment assets	—	50	175	225
Unallocated corporate assets				57,454
Consolidated total assets				57,679
LIABILITIES				
Segment liabilities	(380)	—	(171)	(551)
Unallocated corporate liabilities				(31,655)
Consolidated total liabilities				(32,206)
Other segment information:				
Additions of property, plant and equipment				3,299

Geographical information

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

	Revenue from external customers		Non-current assets	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	8,140	702	8,295	3,156
The People's Republic of China (the "PRC")	—	—	6	—
	8,140	702	8,301	3,156

Information about major customer

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

10. OTHER INCOME

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

11. FINANCE COSTS

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

Note:

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

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emolument paid or payable to each of the eight (2012: twelve) Directors were as follows:

	2013				2012			
	Fee	Salaries and other emoluments	Retirement benefit scheme contributions	Total	Fee	Salaries and other emoluments	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors								
Chan Choi Har Ivy(1)	–	–	–	–	82	–	–	82
Ji He Qun(2)	9	–	–	9	170	–	–	170
Wang Xiao Fei(3)	120	–	–	120	166	–	–	166
Wang Shang Zhong(4)	120	–	–	120	121	–	–	121
Lee Chan Wah(5)	–	600	15	615	–	–	–	–
Non-executive directors								
Cheung Tsun Hin Samson(6)	–	–	–	–	74	–	–	74
Chan Shun Kuen Eric(7)	–	–	–	–	74	–	–	74
Du Juan Hong(8)	120	–	–	120	39	–	–	39
Independent Non-executive directors								
Lam Wai Pong(9)	–	–	–	–	70	–	–	70
Chan Sze Hon(10)	–	–	–	–	63	–	–	63
Leung Yiu Cho(11)	–	–	–	–	24	–	–	24
Tam B Ray Billy(12)	120	–	–	120	39	–	–	39
Chu Kin Wang Peleus(13)	120	–	–	120	39	–	–	39
Tse Joseph(14)	105	–	–	105	–	–	–	–
	714	600	15	1,329	961	–	–	961

Notes:

(1) Ms. Chan Choi Har Ivy resigned on 7 March 2012

(2) Mr. Ji He Qun resigned on 27 July 2012

(3) Mr. Wang Xiao Fei was appointed on 27 July 2011

(4) Mr. Wang Shang Zhong was appointed on 10 August 2011

(5) Mr. Lee Chan Wah is appointed on 16 August 2012

(6) Mr. Cheung Tsun Hin Samson resigned on 13 February 2012

(7) Mr. Chan Shun Kuen Eric resigned on 13 February 2012

(8) Mr. Du Juan Hong was appointed on 5 March 2012

(9) Mr. Lam Wai Pong resigned on 31 January 2012

(10) Mr. Chan Sze Hon resigned on 10 January 2012

(11) Mr. Leung Yiu Cho was appointed on 12 January 2012 and resigned on 22 March 2012

(12) Mr. Tam B Ray Billy was appointed on 5 March 2012

(13) Mr. Chu Kin Wang Peleus was appointed on 5 March 2012

(14) Mr. Tse Joseph was appointed on 16 August 2012

During the year ended 30 June 2012, three Directors had waived emoluments of HK$1,020,000. No Directors had waived or agreed to waive any fees or emoluments during the year ended 30 June 2013. There were no amounts paid or payable to the Directors as an inducement to join or upon joining the Company and no emolument for the chief executive officer was paid.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2012: two) Director whose emolument was set out in note 12(a). The emoluments of the remaining four (2012: three) individuals for the years ended 30 June 2013 and 30 June 2012 were as follows:

	2013	**2012**
	HK$'000	*HK$'000*
Salaries and other benefits	2,210	555
Retirement benefit scheme contributions	68	13
	2,278	568

Their emoluments were within the following bands:

	Number of employees	
	2013	**2012**
Nil–HK$1,000,000	4	3

During the year ended 30 June 2013 and 2012, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. LOSS BEFORE TAX

	2013	2012
	HK$'000	*HK$'000*
Loss before tax has been arrived at after (charging)/crediting:		
Directors' remuneration *(note 12(a))*	(1,329)	(961)
Other staff costs	(9,184)	(2,784)
Retirement benefit scheme contributions	(341)	(96)
Total staff costs	(10,854)	(3,841)
Auditors' remuneration	(1,030)	(1,000)
Depreciation *(note 18)*	(1,571)	(126)
Gain on de-consolidation of subsidiaries *(note 31)*	—	155,547
Loss on disposal of property, plant and equipment	(122)	—
Impairment loss recognised in respect of deposits, prepayments and other receivables *(note 22)*	(1,254)	(240,593)
Impairment loss recognised in respect of intangible asset *(note 17)*	—	(7,488)
Written down of property, plant and equipment *(note 18)*	(1,145)	—
Written off of deposits, prepayments and other receivables	(192)	—
Operating lease payments	(4,131)	(572)

14. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for both years. The PRC subsidiary is subject to the PRC Enterprise Income Tax at 25% for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013	2012
	HK$'000	*HK$'000*
Loss before tax	(23,568)	(100,389)
Tax at the Hong Kong Profits Tax rate of 16.5% (2012: 16.5%)	(3,889)	(16,564)
Tax effect of non-deductible expenses	463	40,939
Tax effect of non-taxable revenues	(9)	(25,672)
Tax effect on temporary differences arising from accelerated depreciation allowance not recognised	(380)	(217)
Tax effect of tax loss not recognised	3,819	1,514
Effect of different tax rate of subsidiary operating in other jurisdiction	(4)	—
Tax charge for the year	—	—

At the end of the reporting period, the Group has unused estimated tax losses of approximately HK$58,798,000 (At 30 June 2012: approximately HK$36,618,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams.

15. DIVIDENDS

The Directors do not recommend any payment of dividends for the year ended 30 June 2013 and 2012.

16. LOSS PER SHARE

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

	2013	**2012**
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted loss per share:		
Loss for the year attributable to owners of the Company	(23,568)	(100,389)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	1,312,200,000	1,301,680,874

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

17. INTANGIBLE ASSET

The Group

	Total
	HK$'000
Trademark	
Cost	
At 1 July 2011, 30 June 2012, 1 July 2012 and 30 June 2013	18,720
Accumulated amortisation and impairment	
At 1 July 2011	11,232
Impairment loss recognised	7,488
At 30 June 2012, 1 July 2012 and 30 June 2013	18,720
Carrying amounts	
At 30 June 2013	—
At 30 June 2012	—

Intangible asset represents the trademark "Blu Spa" used by the Group on its products and therapy services. Such intangible asset is amortised on a straight-line basis over 20 years and its estimated remaining useful life is 7 years at the beginning of the reporting period.

Impairment test of trademark

The Group completed its annual impairment test for the trademark by comparing its recoverable amount to the carrying amount at 30 June 2012 and 30 June 2013. The recoverable amount of the trademark is determined based on value-in-use calculation of the cash flow projections on the financial estimation. At 30 June 2012 and 30 June 2013, the Directors are in the opinion that there will be no material future cash inflow contributed to the Group of the trademark "Blu Spa". As such, an impairment loss of approximately HK$7,488,000 was recognised in the consolidated statement of profit or loss and comprehensive income for the year ended 30 June 2012. No reversal of impairment loss of intangible asset was recognised for the year ended 30 June 2013.

18. PROPERTY, PLANT AND EQUIPMENT

The Group	Plant and machinery *HK$'000*	Leasehold improvement *HK$'000*	Furniture, fixture and equipment *HK$'000*	Motor vehicle *HK$'000*	Total *HK$'000*
Cost					
At 1 July 2011	710	2,239	876	246	4,071
De-consolidation of the Unconsolidated Subsidiaries *(note 31)*	(710)	(2,239)	(876)	(246)	(4,071)
Additions	530	1,263	895	611	3,299
Disposals	—	—	(17)	—	(17)
At 30 June 2012 and 1 July 2012	530	1,263	878	611	3,282
Additions	1,670	6,562	1,352	160	9,744
Disposals	(1,239)	—	(326)	(611)	(2,176)
Written off	—	(1,361)	(100)	—	(1,461)
At 30 June 2013	961	6,464	1,804	160	9,389
Accumulated depreciation and impairment					
At 1 July 2011	429	749	620	135	1,933
De-consolidation of the Unconsolidated Subsidiaries *(note 31)*	(429)	(749)	(620)	(135)	(1,933)
Charge for the year	14	42	29	41	126
At 30 June 2012 and 1 July 2012	14	42	29	41	126
Charge for the year	173	921	339	138	1,571
Written back on disposals	(91)	—	(39)	(163)	(293)
Written off	—	(290)	(26)	—	(316)
At 30 June 2013	96	673	303	16	1,088
Carrying amounts					
At 30 June 2013	**865**	**5,791**	**1,501**	**144**	**8,301**
At 30 June 2012	516	1,221	849	570	3,156

Included in the carrying amounts of furniture, fixture and equipment and motor vehicle of approximately HK$32,000 (At 30 June 2012: approximately HK$40,000) and approximately HK$144,000 (At 30 June 2012: approximately HK$570,000) respectively are held under finance leases.

The Company	**Leasehold improvement** *HK$'000*	**Furniture, fixture and equipment** *HK$'000*	**Motor vehicle** *HK$'000*	**Total** *HK$'000*
Cost				
At 1 July 2011	—	—	—	—
Additions	1,255	33	611	1,899
At 30 June 2012 and 1 July 2012	1,255	33	611	1,899
Additions	98	10	—	108
Disposal	—	—	(611)	(611)
Written off	(1,353)	(33)	—	(1,386)
At 30 June 2013	—	10	—	10
Accumulated depreciation and impairment				
At 1 July 2011	—	—	—	—
Charge for the year	42	1	41	84
At 30 June 2012 and 1 July 2012	42	1	41	84
Charge for the year	246	7	122	375
Written back on disposals	—	—	(163)	(163)
Written off	(288)	(7)	—	(295)
At 30 June 2013	—	1	—	1
Carrying amounts				
At 30 June 2013	—	9	—	9
At 30 June 2012	1,213	32	570	1,815

There is no carrying amount of motor vehicle held under finance lease (At 30 June 2012: approximately HK$570,000).

19. INTERESTS IN SUBSIDIARIES

The Company	Unlisted shares, at cost	Impairment loss	Amounts due from subsidiaries	Impairment loss on amounts due from subsidiaries	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2011	483	(480)	261,689	(163,380)	98,312
Reclassification to amounts due from the Unconsolidated Subsidiaries upon de-consolidation	—	—	(260,791)	163,350	(97,441)
Advance to subsidiaries	—	—	2,713	—	2,713
Impairment loss recognised	—	—	—	(27)	(27)
At 30 June 2012 and 1 July 2012	483	(480)	3,611	(57)	3,557
Advance to subsidiaries	—	—	24,623	—	24,623
At 30 June 2013	**483**	**(480)**	**28,234**	**(57)**	**28,180**

In the opinion of the Directors, the amounts due from subsidiaries are unsecured, non-interest bearing and are unlikely to be repaid within one year from the financial position date and are therefore shown in the statement of financial position as non-current.

The Directors consider that the carrying amounts due from subsidiaries approximate to their fair values.

Particulars of the Company's subsidiaries at 30 June 2013 are set out in note 36.

20. INVENTORIES

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

Movements in written down of inventories:

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

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

21. TRADE RECEIVABLES

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

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

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

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

Trade receivables disclosed above include amounted approximately HK$92,000 which are past due at the end of the reporting period for which the Group 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 movements in the allowance for doubtful debts during the year are set out below:

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

Note:

For the year ended 30 June 2012, due to lack of complete books and records of the Unconsolidated Subsidiaries, the results, assets and liabilities of the Unconsolidated Subsidiaries have not been included into the consolidated financial statements of the Group since 1 July 2011. Accordingly, trade receivables of the Unconsolidated Subsidiaries of approximately HK$120,842,000 and corresponding impairment loss of approximately HK$117,684,000 was not included in the consolidated financial statements.

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK'000*	*HK'000*
Deposits paid *(Note a)*	3,930	6,311	2,500	2,657
Less: Impairment loss recognised	—	(2,500)	—	(2,500)
Less: Written off as uncollectible	(2,500)	—	(2,500)	—
	1,430	3,811	—	157
Prepayments *(Note b)*	271	377	231	2
Other receivables *(Note c)*	45,231	5,149	45,207	5,000
Less: Impairment loss recognised	—	(5,000)	—	(5,000)
Less: Written off as uncollectible	(5,000)	—	(5,000)	—
	40,231	149	40,207	—
Amounts due from the Unconsolidated Subsidiaries *(Note d)*	241,847	288,303	238,883	285,268
Less: Impairment loss recognised	(241,346)	(240,593)	(238,382)	(237,641)
Less: Written off as uncollectible	(501)	—	(501)	—
	—	47,710	—	47,627
	41,932	52,047	40,438	47,786

Notes:

(a) The movements in the impairment losses of deposits paid recognised during the year are set out below:

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at beginning of the year	2,500	32,500	2,500	2,500
De-consolidation of the Unconsolidated Subsidiaries	—	(30,000)	—	—
Less: Written off as uncollectible	(2,500)	—	(2,500)	—
Balance at end of the year	—	2,500	—	2,500

Included in the deposits paid were the rental deposits amounted to approximately HK$944,000 and the deposit of a new point-of-sales system amounted to approximately HK$261,000.

During the year ended 30 June 2012, due to lack of complete books and records of the Unconsolidated Subsidiaries, the results, assets and liabilities of the Unconsolidated Subsidiaries have not been included into the consolidated financial statements of the Group since 1 July 2011. Accordingly a deposit of the Unconsolidated Subsidiaries approximately HK$76,210,000 and corresponding impairment loss of approximately HK$30,000,000 were not included in the consolidated financial statements.

(b) The movements in the impairment losses of prepayments during the year are set out below:

	The Group		**The Company**	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at beginning of the year	—	14,500	—	—
De-consolidation of the Unconsolidated Subsidiaries	—	(14,500)	—	—
Balance at end of the year	—	—	—	—

During the year ended 30 June 2012, due to lack of complete books and records of the Unconsolidated Subsidiaries, the results, assets and liabilities of the Unconsolidated Subsidiaries have not been included into the consolidated financial statements of the Group since 1 July 2011. Accordingly prepayments of the Unconsolidated Subsidiaries of approximately HK$86,501,000 and corresponding impairment loss of approximately HK$14,500,000 were not included in the consolidated financial statements.

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

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

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

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

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

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

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

As set out in the Company's announcement dated 3 May 2013, on 29 April 2013, the Company and the Debtor have agreed to extent the settlement of the Other Receivable with interest of 30%. As the Debtor defaulted to make settlement according to the Second DOS, the Directors consider the Debtor breached the terms of the DOT and recognised the consideration for termination of the SPA of HK$4,500,000 as the gain on defaulted payment of the Refundable Deposit in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2013. During the year, the interest income in respect of the Other Receivable amounted to approximately HK$4,552,000 of which approximately HK$3,472,000 was settled.

Subsequent to the end of the reporting period, the Company filed the DOA and corresponding documents to the High Court of Hong Kong for claims against the Debtor. On 6 September 2013, the Directors were given to understand by its legal representatives that the judge has entered judgement against the Debtor in the following terms: 1) judgement against the Debtor be entered for the sum of HK$39,127,500 together with contractual interest thereon calculated from day to day at the rate of 30% per annum from 1 May 2013 to 6 September 2013, and thereafter at judgement rate pursuant to s. 48 of High Court Ordinance until payment; and 2) the Debtor shall pay the Company the costs of this action including the costs of the Company's application for summary judgement to be taxed if not agreed.

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

The movements in the impairment losses of other receivables during the year are set out below:

	The Group		**The Company**	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK'000*
Balance at beginning of the year	5,000	5,135	5,000	5,000
De-consolidation of the Unconsolidated Subsidiaries	—	(135)	—	—
Less: Written off as uncollectible	(5,000)	—	(5,000)	—
Balance at end of the year	—	5,000	—	5,000

(d) Included in "Deposits, prepayments and other receivables" of the Group was the amounts due from the Unconsolidated Subsidiaries amounted to approximately HK$241,847,000 (At 30 June 2012: approximately HK$288,303,000) and accumulated impairment loss of approximately HK$241,346,000 (At 30 June 2012: approximately HK$240,593,000) of which approximately HK$1,254,000 (for the year ended 2012: approximately HK$74,296,000) was recognised in the consolidated statement of profit or loss and other comprehensive income during the year. As set out in note 2, the Unconsolidated Subsidiaries were de-consolidated with effect from 1 July 2011. Accordingly, the amounts due from the Unconsolidated Subsidiaries were reclassified from intercompany balances to the amounts due from the Unconsolidated Subsidiaries in the consolidated financial statements and abovementioned impairment loss was recognised. The amounts due from the Unconsolidated Subsidiaries are non-interest bearing, unsecured and repayable on demand.

Included in "Deposits, prepayments and other receivables" of the Company was the amounts due from the Unconsolidated Subsidiaries amounted to approximately HK$238,883,000 (At 30 June 2012: approximately HK$285,268,000) and accumulated impairment losses of approximately HK$238,382,000 (At 30 June 2012: approximately HK$237,641,000) of which approximately HK$1,242,000 (for the year ended 2012: approximately HK$74,291,000) was recognised in the statement of profit or loss and other comprehensive income during the year. As set out in note 2, the Unconsolidated Subsidiaries were deconsolidated with effect from 1 July 2011. Accordingly, the amounts due from the Unconsolidated Subsidiaries were reclassified from interests in subsidiaries to the amounts due from the Unconsolidated Subsidiaries in the financial statements and abovementioned impairment loss was recognised. The amounts due from the Unconsolidated Subsidiaries are non-interest bearing, unsecured and repayable on demand.

The movements in the impairment losses of amounts due from the Unconsolidated Subsidiaries during the year are set out below:

	The Group		**The Company**	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK'000*
Balance at beginning of the year	240,593	—	237,641	—
Reclassification upon de-consolidation of the Unconsolidated Subsidiaries	—	—	—	163,350
Impairment loss recognised	1,254	240,593	1,242	74,291
Written off as uncollectible	(501)	—	(501)	—
Balance at end of the year	241,346	240,593	238,382	237,641

23. BANK BALANCES AND CASH

	The Group		**The Company**	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and on hand	1,314	308	179	162
Short-term bank deposits	501	—	—	—
	1,815	308	179	162

At the end of reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$309,000 (At 30 June 2012: HK$Nil).

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Bank balances earn interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

24. AMOUNT DUE TO A FORMER DIRECTOR

The Group and the Company

At 30 June 2013, the amount due to Ms. Chan Choi Har Ivy amounted to approximately HK$64,000 (At 30 June 2012: approximately HK$64,000) of the Group and the Company.

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

Ms. Chan Choi Har Ivy resigned as an executive director of the Company on 7 March 2012.

25. DEPOSITS FROM CUSTOMERS

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

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

26. ACCRUALS AND OTHER PAYABLES

	The Group		The Company	
	2013	2012	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	4,321	2,849	3,672	2,816
Other payables	3,201	2,356	2,954	1,887
Amounts due to the Unconsolidated Subsidiaries *(Note)*	1,309	6,246	—	—
	8,831	11,451	6,626	4,703

Note:

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

27. OBLIGATION UNDER FINANCE LEASES

The Group

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

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

The Company

During the year end 2013, the Company has leased a motor vehicle under finance lease. The lease term is 4 years (2012: 5 years) with a fixed interest rate of 2.75% per annum. The motor vehicle has been disposed at the end of the reporting period.

	Minimum lease payments		Present value of minimum lease payments	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:				
Within one year	—	122	—	97
More than one year and not more than five years	—	459	—	417
	—	581	—	514
Less: future finance charges	—	(67)	—	—
	—	514	—	514
Less: Amounts due for settlement within 12 months (shown under current liabilities)			—	(97)
Amounts due for settlement after 12 months			—	417

The Group's and the Company's obligation under finance leases are secured by the lessor's charge over the leased assets.

28. OTHER BORROWING

The Group and the Company

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

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

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

29. SHARE CAPITAL

The Group and the Company	**Number of shares**	**Amount**
		HK$'000
Authorised:		
At 1 July 2011, 30 June 2012, 1 July 2012 and 30 June 2013	5,000,000,000	500,000
Issued and fully paid:		
At 1 July 2011	1,202,200,000	120,220
Issue of new shares pursuant to a placing agreement dated 27 July 2011 *(Note)*	110,000,000	11,000
At 30 June 2012, 1 July 2012 and 30 June 2013	1,312,200,000	131,220

Note:

On 5 August 2011, the Company issued 110,000,000 new shares at HK$0.15 each by placing.

30. RESERVES

The Company	**Share premium**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2011	170,269	(197,533)	(27,264)
Shares issued pursuant to the placing agreement dated 27 July 2011	5,500	—	5,500
Transactions cost attributable to issue of new shares	(412)	—	(412)
Loss for the year	—	(80,591)	(80,591)
At 30 June 2012 and 1 July 2012	175,357	(278,124)	(102,767)
Loss for the year	—	(8,737)	(8,737)
At 30 June 2013	**175,357**	**(286,861)**	**(111,504)**

Movements in reserves of the Group during the year are set out in consolidated statement of changes in equity on page 50 to the consolidated financial statements.

31. DE-CONSOLIDATION OF SUBSIDIARIES

As disclosed in note 2 of the consolidated financial statements, the consolidated financial statements were prepared based on the books and records maintained by the Company and its subsidiaries. However, the directors and management of the Unconsolidated Subsidiaries have not provided complete documentary information and reasonable explanation in respect of the transactions asserted to have been undertaken. The Directors have not been able to obtain complete documentary information to satisfy themselves regarding the accounting treatments in respect of those transactions for the year ended 30 June 2012. As such, the results, assets and liabilities of the Unconsolidated Subsidiaries have not been included into the consolidated financial statements of the Group since 1 July 2011. The resulting gain on de-consolidation, which is determined based on the net asset value of the Unconsolidated Subsidiaries at 1 July 2011 of approximately HK$155,547,000, have been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2012.

Details of the net assets/(liabilities) of the Unconsolidated Subsidiaries at 1 July 2011 are set out below:

(a) The BSHK Group

	Total
	HK$'000
Net liabilities de-consolidated:	
Property, plant and equipment	2,138
Inventories	975
Trade receivables	3,158
Deposits, prepayments and other receivables	118,212
Amounts due from fellow subsidiaries	6,101
Bank balances and cash	66
Amount due to the Company	(253,908)
Deposits received from customers	(4,446)
Accruals and other payables	(5,010)
Amount due to a director	(137)
Amount due to a related party	(385)
Amounts due to related companies	(2,033)
Provision for taxation	(5,594)
	(140,863)
Release of translation reserve upon de-consolidation	3
	(140,860)
Gain on de-consolidation	140,860
Total consideration	—
Net cash outflow arising on de-consolidation:	
Bank balances and cash de-consolidated of	(66)

(b) Clapton Holdings Limited

	Total
	HK$'000
Net liabilities de-consolidated:	
Amount due from a fellow subsidiary	363
Amount due to the Company	(6,382)
Amount due to BSHK	(5,978)
	(11,997)
Release of translation reserve upon de-consolidation	—
	(11,997)
Gain on de-consolidation	11,997
Total consideration	—
Net cash outflow arising on de-consolidation:	
Bank balances and cash de-consolidated of	—

(c) Blu Spa Management Services Limited

	Total
	HK$'000
Net liabilities de-consolidated:	
Amount due from BSHK	446
Amount due to the Company	(501)
Accruals and other payables	(18)
	(73)
Release of translation reserve upon de-consolidation	1
	(72)
Gain on de-consolidation of subsidiaries	72
Total consideration	—
Net cash outflow arising on de-consolidation:	
Bank balances and cash de-consolidated of	—

(d) Blu Spa International Limited

	Total
	HK$'000
Net liabilities de-consolidated:	
Amount due to BSHK	(2,600)
Accruals and other payables	(18)
	(2,618)
Release of translation reserve upon de-consolidation	—
	(2,618)
Gain on de-consolidation	2,618
Total consideration	—
Net cash outflow arising on de-consolidation:	
Bank balances and cash de-consolidated of	—

32. RETIREMENT BENEFIT SCHEME

The Group 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 Group 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 consolidated statement of profit or loss and other comprehensive income represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

33. OPERATING LEASE COMMITMENTS

The Group	**2013**	**2012**
	HK$'000	*HK$'000*
Within one year	3,345	3,816
In the second to fifth year inclusive	760	3,594
	4,105	7,410

Operating lease payments represent rentals payable by the Group for certain of its office premise and retail shops. Leases are negotiated for an average terms of 2 to 3 years.

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

34. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in amounts due from the Unconsolidated Subsidiaries (note 22), amount due to a former director (note 24), amounts due to the Unconsolidated Subsidiaries (note 26) and elsewhere to the consolidated financial statements, the Group had the following material transactions with related parties during the year:

Name of parties	**Nature of transactions**	**2013**	**2012**
		HK$'000	*HK$'000*
KIL *(Note 1)*	Interest on other borrowing	3,705	513
Koffman Corporate Service Limited ("KCSL") *(Note 1)*	Rental expenses	160	—
BSHK *(Note 2)*	Purchases of products	—	1,984
	Sales of products	(21)	—
	Rendering of management services	—	(986)
	Purchases of property, plant and equipment	—	716
	Disposal of property, plant and equipment	(603)	—
Lisun Plastic Factory Limited *(Note 3)*	Gain on disposal of property, plant and equipment	(53)	—

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

Name of parties	**Nature of transactions**	**2013**	**2012**
		HK$'000	*HK$'000*
KIL *(Note 1)*	Other borrowing	(42,400)	(19,586)

Notes:

(1) Mr. Yu, an executive director and the chairman of the Company, is the ultimate beneficial owner of KIL and KCSL. Details of the transactions were set out in note 28 to the consolidated financial statements. During the year, the KCSL's office is rented by the Company.

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

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

Compensation for key management personnel

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

The Group

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

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

35. EVENTS AFTER THE REPORTING PERIOD

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

(a) Change of domicile

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

(b) Capital 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 dated 24 January 2013. The Capital Reorganisation was approved at the extraordinary general meeting on 28 February 2013. At the date of this report, the Capital Reorganisation has not yet been completed. Details were set out in the Company's announcements dated 20 December 2012, 7 January 2013, 17 April 2013 and 5 August 2013.

(c) Loan from KIL

On 30 August 2013, the Company has entered into the fifteenth extension agreement with KIL to further extend the repayment date of the loan from 31 August 2013 to 31 December 2013, a loan in the principle sum of HK$50,000,000 for a term of 3 months from the date of the agreement at interest rate of 12% per annum. There is no security over the assets of the Group in respect of this loan. Up to the date of this report, the carrying amount of loan borrowed from KIL by the Company was approximately HK$46,830,000. Details of the agreement of this loan were set out in the Company's announcements dated 2 April 2012, 7 May 2012, 26 June 2012, 26 September 2012, 26 October 2012, 26 November 2012, 7 December 2012, 31 December 2012, 15 January 2013, 31 January 2013, 28 February 2013, 2 April 2013, 30 April 2013, 31 May 2013, 28 June 2013, 31 July 2013 and 30 August 2013.

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

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

(e) Acquisition of new business

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

36. SUBSIDIARIES

Particulars of the Company's subsidiaries at 30 June 2013 are as follows:

Name of subsidiaries	Place of incorporation/ operation	Issued and paid up share capital	Proportion of nominal value of issued capital held by the Company Directly %	Indirectly %	Principal activities
Beachgold Assets Limited	British Virgin Islands/ Hong Kong	US$2	—	100	Inactive
Blu Spa Group Limited	British Virgin Islands/ Hong Kong	US$2,700	100	—	Investment holding
Kingsbury Asia Limited	British Virgin Islands/ Hong Kong	US$2	—	100	Inactive
EDS International Holdings Limited (formerly known as Blu Spa Asia Limited)	British Virgin Islands/ Hong Kong	US$1	100	—	Investment holding and holding of patent and trademarks/ tradenames
EDS (China) Limited (formerly known as Blu Spa (Shenzhen) Limited)	Hong Kong	HK$1	—	100	Investment holding
EDS (Taiwan) Limited	Hong Kong	HK$1	—	100	Inactive
EDS (Asia) Limited (formerly known as Blu Spa (Asia) Limited)	Hong Kong	HK$1	—	100	Marketing development, product distribution and customer support services
EDS Distribution Limited	Hong Kong	HK$1	—	100	Marketing development, product distribution and customer support services
西安伊菲丹化妝品銷售有限公司[@]	The PRC	HK$500,000	—	100	Beauty operations

[@] Wholly-owned foreign enterprise

37. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 6 September 2013.

B. Annual report of EDS Group for the six months ended 31 December 2014

Set out below are the audited financial statements of EDS Group for the six months ended 31 December 2014 together with the relevant notes thereto as extracted from the annual report of EDS for the six months ended 31 December 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**(Six months) 01.07.2014 to 31.12.2014** *HK$'000*	**(Twelve months) 01.07.2013 to 30.06.2014** *HK$'000*
Continuing operations			
Turnover	*7*	22,084	27,582
Cost of sales		(15,155)	(16,597)
Gross profit		6,929	10,985
Other income	*9*	3,408	4,949
Selling and distribution costs		(942)	(996)
Administrative expenses		(7,922)	(18,325)
Impairment loss in respect of other receivables	*23*	(46,519)	(80)
Loss from operations	*10*	(45,046)	(3,467)
Finance costs	*11*	(1,170)	(6,664)
Loss before taxation		(46,216)	(10,131)
Income tax expense	*14*	(827)	(487)
Loss for the period/year from continuing operations		(47,043)	(10,618)
Discontinued operations			
Profit for the period/year from discontinued operations	*15*	—	—
Loss for the period/year		(47,043)	(10,618)
Other comprehensive income for the period/year, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		1	1
Other comprehensive income for the period/year		1	1
Total comprehensive expenses for the period/year		(47,042)	(10,617)

	Notes	(Six months) 01.07.2014 to 31.12.2014 HK$'000	(Twelve months) 01.07.2013 to 30.06.2014 HK$'000
Loss for the period/year attributable to:			
Owners of the Company		(48,939)	(11,768)
Non-controlling interests		1,896	1,150
		(47,043)	(10,618)
Total comprehensive expenses for the period/ year attributable to:			
Owners of the Company		(48,938)	(11,767)
Non-controlling interests		1,896	1,150
		(47,042)	(10,617)
Loss per share	*15*		
From continuing operations			
Basic and diluted		HK(78.71) cents	HK(89.68) cents
From discontinued operations			
Basic and diluted		N/A	N/A
From continuing and discontinued operations			
Basic and diluted		HK(78.71) cents	HK(89.68) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2014

	Notes	31.12.2014 HK$'000	30.06.2014 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	12,649	14,846
Intangible asset	19	—	—
Goodwill	20	18,266	18,266
Restricted bank deposits	24	—	7,147
		30,915	40,259
Current assets			
Inventories	21	1,923	2,614
Trade receivables	22	5,546	5,238
Deposits, prepayments and other receivables	23	5,728	50,614
Restricted bank deposits	24	19,701	12,516
Cash and cash equivalents	24	26,553	30,633
		59,451	101,615
Total assets		90,366	141,874
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	25	7,480	1,312
Reserves		37,819	(2,231)
Equity attributable to owners of the Company		45,299	(919)
Non-controlling interests		3,757	1,861
Total equity		49,056	942

	Notes	31.12.2014 HK$'000	30.06.2014 HK$'000
LIABILITIES			
Current liabilities			
Amount due to a former director	26	64	64
Trade payables	27	210	399
Accruals and other payables	28	5,080	10,185
Other borrowings	29	3,850	1,833
Promissory notes	30	6,069	12,718
Tax payable		1,502	613
Deposits from customers	32	80	94
Deferred revenue	33	24,000	21,869
Obligations under finance leases	34	444	588
		41,299	48,363
Non-current liabilities			
Other borrowings	29	—	61,000
Convertible bonds	31	—	29,712
Obligations under finance leases	34	11	160
Deferred taxation	35	—	1,697
		11	92,569
Total liabilities		41,310	140,932
Total equity and liabilities		90,366	141,874
Net current assets		18,152	53,252
Total assets less current liabilities		49,067	93,511

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	**31.12.2014** *HK$'000*	**30.06.2014** *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*18*	7	8
Interests in subsidiaries	*36*	43,217	42,471
		43,224	42,479
Current assets			
Deposits, prepayments and other receivables	*23*	1,689	46,492
Cash and cash equivalents	*24*	12,694	23,355
		14,383	69,847
Total assets		57,607	112,326
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*25*	7,480	1,312
Reserves	*37*	40,071	(876)
Total equity		47,551	436
LIABILITIES			
Current liabilities			
Amount due to a former director	*26*	64	64
Accruals and other payables	*28*	3,923	6,266
Other borrowings	*29*	—	433
Promissory notes	*30*	6,069	12,718
		10,056	19,481
Non-current liabilities			
Other borrowings	*29*	—	61,000
Convertible bonds	*31*	—	29,712
Deferred taxation	*35*	—	1,697
		—	92,409
Total liabilities		10,056	111,890
Total equity and liabilities		57,607	112,326
Net current assets		4,327	50,366
Total assets less current liabilities		47,551	92,845

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2014

	Attributable to owners of the Company									
	Share capital	Share premium	Merger reserve	Contributed surplus	Convertible bonds reserve	Translation reserve	Accumulated loss	Sub-total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2013	131,220	175,357	22,734	—	—	9	(327,406)	1,914	—	1,914
Loss for the year	—	—	—	—	—	—	(11,768)	(11,768)	1,150	(10,618)
Other comprehensive income for the year:										
Exchange differences on translating foreign operations	—	—	—	—	—	1	—	1	—	1
Total comprehensive expenses for the year	—	—	—	—	—	1	(11,768)	(11,767)	1,150	(10,617)
Non-controlling interests arising on acquisition of a subsidiary *(note 38)*	—	—	—	—	—	—	—	—	711	711
Capital reduction	(129,908)	—	—	129,908	—	—	—	—	—	—
Share premium cancellation	—	(175,357)	—	175,357	—	—	—	—	—	—
Amount transfer from contributed surplus to accumulated losses	—	—	—	(278,124)	—	—	278,124	—	—	—
Recognition of the equity component of convertible bonds	—	—	—	—	10,699	—	—	10,699	—	10,699
Deferred tax on convertible bonds	—	—	—	—	(1,765)	—	—	(1,765)	—	(1,765)
At 30 June 2014 and 1 July 2014	1,312	—	22,734	27,141	8,934	10	(61,050)	(919)	1,861	942
Loss for the period	—	—	—	—	—	—	(48,939)	(48,939)	1,896	(47,043)
Other comprehensive income for the period:										
Exchange differences on translating foreign operations	—	—	—	—	—	1	—	1	—	1
Total comprehensive expenses for the period	—	—	—	—	—	1	(48,939)	(48,938)	1,896	(47,042)
Conversion of convertible bonds	4,000	36,658	—	—	(8,934)	—	—	31,724	—	31,724
Open offer of new shares	1,906	55,277	—	—	—	—	—	57,183	—	57,183
Placing of new shares	262	7,991	—	—	—	—	—	8,253	—	8,253
Share issue expenses	—	(2,004)	—	—	—	—	—	(2,004)	—	(2,004)
Transfer to accumulated losses upon disposal of a subsidiary	—	—	(22,734)	—	—	—	22,734	—	—	—
At 31 December 2014	7,480	97,922	—	27,141	—	11	(87,255)	45,299	3,757	49,056

Notes:

(a) Merger reserve

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

(b) Contributed surplus

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

(c) Convertible bonds reserve

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

(d) Translation reserve

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2014

	Notes	(Six months) 01.07.2014 to 31.12.2014 HK$'000	(Twelve months) 01.07.2013 to 30.06.2014 HK$'000
OPERATING ACTIVITIES			
Loss before taxation from continuing operations		(46,216)	(10,131)
Profit before taxation from discontinued operations	15	—	—
Adjustments for:			
Depreciation of property, plant and equipment	18	2,321	2,724
Gain on disposal of a subsidiary	9	(1,359)	—
Gain on disposal of property, plant and equipment	9	(9)	(183)
Impairment loss recognised in respect of other receivables	10	46,519	80
Interest expenses		1,170	6,664
Interest income		(1,641)	(4,749)
Loss on disposal of property, plant and equipment	10	—	1,816
Reversal of impairment loss in respect of intangible asset	19	(350)	—
Written down of property, plant and equipment	10	322	8
Written off of deposits, prepayments and other receivables	10	—	6
Written off of inventories	10	1	6
Written off of trade receivables	10	—	2
Operating cash flows before movements in working capital		758	(3,757)
Decrease/(increase) in inventories		690	(854)
Increase in trade receivables		(308)	(1,171)
Decrease/(increase) in deposits, prepayments and other receivables		295	(884)
(Decrease)/increase in trade payables		(189)	236
Decrease in deposits from customers		(14)	(364)
Increase in deferred revenue		2,131	859
(Decrease)/increase in accruals and other payables		(3,746)	462
Cash used in operations		(383)	(5,473)
Interest paid		(876)	(5,494)
Net cash used in operating activities		(1,259)	(10,967)

	Notes	(Six months) 01.07.2014 to 31.12.2014 HK$'000	(Twelve months) 01.07.2013 to 30.06.2014 HK$'000
INVESTING ACTIVITIES			
Interest received		63	16
Net cash outflow of acquisition of a subsidiary	38	—	(2,663)
Placement of restricted bank deposits		(38)	(12,516)
Proceeds from disposal of property, plant and equipment		30	726
Purchase of property, plant and equipment		(467)	(4,108)
Net cash used in investing activities		(412)	(18,545)
FINANCING ACTIVITIES			
Net proceeds from issue of new shares		63,433	—
Proceeds from issue of convertible bonds		—	40,000
Proceeds from other borrowings		2,450	72,500
Repayment of obligations under finance leases		(293)	(271)
Repayment of other borrowings		(61,000)	(53,900)
Repayment of promissory notes	30	(7,000)	—
Net cash (used in)/generated from financing activities		(2,410)	58,329
Net (decrease)/increase in cash and cash equivalents		(4,081)	28,817
Cash and cash equivalents at the beginning of period/year		30,633	1,815
Effect of foreign exchange rate changes		1	1
Cash and cash equivalents at the end of period/year		26,553	30,633
Analysis of the balances of cash and cash equivalents			
Cash at bank and on hand	24	26,553	30,633
Restricted bank deposits	24	19,701	19,663
		46,254	50,296
Less: restricted bank deposits		(19,701)	(19,663)
Included in cash and cash equivalents per the consolidated statement of financial position		26,553	30,633

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2014

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and with effect from 22 April 2014, the Company deregistered in the Cayman Islands and continued in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate holding company is Eternity Investment Limited ("**Eternity**"), a company incorporated in Bermuda and its shares are listed on the Main Board of the Stock Exchange. The addresses of the registered office and the principal place of business of the Company in Hong Kong are disclosed in the company information section of the annual report.

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

The Company is an investment holding company and the principal activities of its subsidiaries are disclosed in note 36.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17, and measurement that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for asset or liability.

Investments in unconsolidated subsidiaries

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

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

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

Given these circumstances, the directors of the Company have not consolidated the financial statements of the Unconsolidated Subsidiaries in these consolidated financial statements. As such, the results, assets and liabilities of the Unconsolidated Subsidiaries have not been included into the consolidated financial statements of the Group since 1 July 2011. At 30 June 2014, the amounts due from the Unconsolidated Subsidiaries to the Group and the Company of approximately HK$241,426,000 and HK$238,462,000 respectively of which impairment loss of HK$80,000 was recognised during the year and accumulated impairment losses of approximately HK$241,426,000 and HK$238,462,000 were recorded respectively. In addition, the Group recorded amounts due to the Unconsolidated Subsidiaries of approximately HK$1,309,000 at 30 June 2014.

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

On 19 December 2014, the Company entered into a sale and purchase agreement to dispose of the entire issued share capital of Blu Spa Group Limited ("**BSG**") to Koffman Investment Limited ("**KIL**"), the issued share of which is 50% owned by Mr. Yu Zhen Hua, Johnny ("**Mr. Yu**"), the chairman and a director of the Company, who resigned on 19 January 2015, at a cash consideration of HK$1. BSG is the intermediate holding company of the Unconsolidated Subsidiaries. The disposal was completed on 19 December 2014. Given these circumstances, the Company presented the amounts due from Unconsolidated Subsidiaries as other receivables at 31 December 2014.

Change of financial year-end date

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

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

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

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

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities*

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

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

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

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

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

Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*

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

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

Amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

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

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

HK (IFRIC) — Int 21 *Levies*

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

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

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*

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

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

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

Annual Improvements to HKFRSs 2010-2012 Cycle

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

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

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

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

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

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

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

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

Annual Improvements to HKFRS 2011-2013 Cycle

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

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

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

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

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

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

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

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

4. NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

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

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

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

HKFRS 9 ***Financial Instruments***

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (**FVTOCI**) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

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

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

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no long necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

HKFRS 15 *Revenue from Contracts with Customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Int when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal ith specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are set out below.

(a) Basis of consolidation

Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-byacquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests and measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss and other comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Interests in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The consolidated financial statements are presented in HK dollars (**HK$**), which is the Company's functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss and other comprehensive income within "finance costs". All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income within "other income", "cost of sales" or "administrative expenses".

(d) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisitiondate fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognises when it is probable that future economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from sale of beauty products and beauty equipment is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the beauty products and beauty equipment are delivered to customers. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

Revenue from service income is recognised when service are provided. Payments that are related to service not yet rendered are shown as deposits from customers and deferred revenue in the consolidated statement of financial position.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(f) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(g) 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 period. Taxable profit differs from 'loss before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(h) Property, plant and equipment

Property, plant and equipment is stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Plant and machinery	20%
Leasehold improvement	20%
Furniture, fixtures and equipment	20%
Motor vehicles	20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued used of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(i) Intangible asset

Trademark

Trademark is shown at historical cost and has a finite useful life and is carried at cost less accumulated amortisation and less any accumulated impairment loss. Amortisation is calculated using the straight-line method to allocate the cost of trademark over its estimated useful lives of 20 years.

(j) 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 Group classifies its financial assets into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. 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 premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including restricted bank deposits, trade receivables, deposits and other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 investment have been affected.

Objective evidence of impairment could include:

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

(ii) breach of contract, such as a default or delinquency in interest or principal payments; or

(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 assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group'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 that are 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 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 the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment 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 instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity 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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the 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 Company's own equity instruments.

Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Other financial liabilities

Other financial liabilities (including amount due to a former director, trade payables, accruals and other payables, other borrowings, promissory notes, convertible bonds and obligations under finance leases) are subsequently measured at amortised cost using the effective interest method.

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 period. 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.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Provision is made for inventories when they became obsolete.

(l) 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 are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(m) Cash and cash equivalents

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

(n) 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.

(o) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables 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.

(p) Borrowings

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

Fees 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.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(q) 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 Group as lessee

Assets held under finance leases are initially recognised as assets of the Group 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 consolidated 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 Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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.

(s) Retirement benefit obligations

The Group operates the Mandatory Provident Fund Scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% to 10% of the employees' relevant income, with the employees' contributions subject to a cap of monthly relevant income of HK$30,000. The Group's contributions to the MPF Scheme are expensed as incurred. 5% of relevant income vests immediately upon the completion of service in the relevant service period, while the remaining portion vests in accordance with the MPF Scheme's vesting scales. Where employees leave the MPF Scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

(t) 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 Group. 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 consolidated 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 Group. Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(u) Related parties

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

(1) has control or joint control of the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or of a parent of the Group.

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

(1) The entity and the Group 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 Group or an entity related to the Group.

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

(v) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group 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. When 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.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.

(a) Useful lives of property, plant and equipment

The Group 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 Group 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 Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment 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 Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(c) Impairment loss of intangible asset

The Group performs annual tests on whether there has been impairment of intangible asset in accordance with the accounting policy stated in note 5(f). The recoverable amount is determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(d) Net realisable 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 the reporting period.

(e) Fair value of contingent consideration arising from business combination

Contingent consideration arising from business combination is valued using a discounted cash flow model, based on the estimated compensation received by the Group, discounted using the applicable prevailing market rate. The estimation of the compensation is based on the estimated profits of China Honest Enterprises Limited ("**China Honest**"), a 51% owned subsidiary of the Company.

(f) Impairment loss of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 5(d). The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates (note 20).

7. TURNOVER

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

8. OPERATING SEGMENTS

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

(a) Sale of beauty products

(b) Provision of therapy services

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

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

For the six months ended 31 December 2014

	Continuing operations			Discontinued operations	
	Sale of beauty products	Provision of therapy services	Sub-total	Sale of beauty equipment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
Segment revenue	1,648	20,436	22,084	—	22,084
Results					
Segment (loss)/profit	(547)	6,534	5,987	—	5,987
Interest income on bank deposits *(note 9)*			64	—	64
Unallocated corporate income			1,626	—	1,626
Unallocated corporate expenses			(7,599)	—	(7,599)
Gain on disposal of a subsidiary *(note 9)*			1,359	—	1,359
Gain on disposal of property, plant and equipment *(note 9)*			9	—	9
Imputed interest on convertible bonds *(note 11)*			(376)	—	(376)
Imputed interest on promissory notes *(note 11)*			(351)	—	(351)
Reversal of impairment loss recognised in respect of intangible asset *(note 9)*			350	—	350
Written down of property, plant and equipment *(note 10)*			(322)	—	(322)
Written off of inventories *(note 10)*			(1)	—	(1)
Impairment loss recognised in respect of other receivables *(note 10)*			(46,519)	—	(46,519)
Finance costs			(443)	—	(443)
Loss before taxation			(46,216)	—	(46,216)
Income tax expense *(note 14)*			(827)	—	(827)
Loss for the period			(47,043)	—	(47,043)

At 31 December 2014

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

For the six months ended 31 December 2014

	Continuing operations			Discontinued operations		
	Sale of beauty products	Provision of therapy services	Sub-total	Sale of beauty equipment	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information						
Amount included in the measure of segment (loss)/profit and segment assets						
Additions to property, plant and equipment	—	326	326	—	141	467
Depreciation *(note 10)*	—	929	929	—	1,392	2,321

For the year ended 30 June 2014

	Continuing operations			Discontinued operations	
	Sale of beauty products	Provision of therapy services	Sub-total	Sale of beauty equipment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
Segment revenue	16,537	11,045	27,582	—	27,582
Results					
Segment profit	5,634	4,355	9,989	—	9,989
Interest income on bank deposits *(note 9)*			16	—	16
Unallocated corporate income			4,750	—	4,750
Unallocated corporate expenses			(16,487)	—	(16,487)
Gain on disposal of property, plant and equipment *(note 9)*			183	—	183
Imputed interest on convertible bonds *(note 11)*			(411)	—	(411)
Imputed interest on promissory notes *(note 11)*			(326)	—	(326)
Loss on disposal of property, plant and equipment *(note 10)*			(1,816)	—	(1,816)
Written down of property, plant and equipment *(note 10)*			(8)	—	(8)
Written off of deposits *(note 10)*			(6)	—	(6)
Written off of inventories *(note 10)*			(6)	—	(6)
Written off of trade receivables *(note 10)*			(2)	—	(2)
Impairment loss recognised in respect of other receivables *(note 10)*			(80)	—	(80)
Finance costs			(5,927)	—	(5,927)
Loss before taxation			(10,131)	—	(10,131)
Income tax expense *(note 14)*			(487)	—	(487)
Loss for the year			(10,618)	—	(10,618)

At 30 June 2014

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

For the year ended 30 June 2014

	Continuing operations			Discontinued operations		
	Sale of beauty products	Provision of therapy services	Sub-total	Sale of beauty equipment	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information						
Amount included in the measure of segment (loss)/profit and segment assets						
Additions to property, plant and equipment	—	3,557	3,557	—	8,079	11,636
Depreciation *(note 10)*	—	503	503	—	2,221	2,724

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

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

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

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

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

Geographical information

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

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

Information about major customers

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

9. OTHER INCOME

	01.07.2014 to 31.12.2014 *HK$'000*	01.07.2013 to 30.06.2014 *HK$'000*
Gain on disposal of a subsidiary *(note 39)*	1,359	—
Gain on disposal of property, plant and equipment	9	183
Interest income on bank deposits	64	16
Other interest income *(note 23)*	1,578	4,733
Reversal of impairment loss recognised in respect of intangible asset *(note 19)*	350	—
Sundry income	48	17
	3,408	4,949

10. LOSS FROM OPERATIONS

Loss from operations from continuing operations has been arrived at after charging:

	01.07.2014 to 31.12.2014 *HK$'000*	01.07.2013 to 30.06.2014 *HK$'000*
Auditors' remuneration	500	620
Depreciation of property, plant and equipment* *(note 18)*	2,321	2,724
Loss on disposal of property, plant and equipment	—	1,816
Impairment loss recognised in respect of other receivables	46,519	80
Operating lease rentals in respect of rental premises*	3,104	4,708
Staff costs including directors' emoluments*		
— salaries and other allowances	7,875	8,624
— contributions to retirement benefit schemes	251	324
	8,126	8,948
Written down of property, plant and equipment	322	8
Written off of deposits *(note 23)*	—	6
Written off of inventories *(note 21)*	1	6
Written off of trade receivables *(note 22)*	—	2

* These items are included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income. Depreciation of property, plant and equipment of approximately HK$822,000 (for the year ended 30 June 2014: approximately HK$503,000), operating lease rentals in respect of rental premises of approximately HK$2,864,000 (for the year ended 30 June 2014: HK$4,228,000), salaries and other allowances of approximately HK$5,610,000 (for the year ended 30 June 2014: approximately HK$4,445,000) and contributions to retirement benefit scheme of approximately HK$163,000 (for the year ended 30 June 2014: approximately HK$188,000) were included in "Cost of sales".

11. FINANCE COSTS

	01.07.2014 to 31.12.2014 *HK$'000*	01.07.2013 to 30.06.2014 *HK$'000*
Imputed interest on convertible bonds *(note 31)*	376	411
Imputed interest on promissory notes *(note 30)*	351	326
Interest on finance leases	44	28
Interest on other borrowings wholly payable within 5 years	399	5,899
	1,170	6,664

12. DIRECTORS' EMOLUMENTS

The aggregate amount of emoluments paid or payable to the directors of the Company during the six months ended 31 December 2014 was HK$352,000 (during the year ended 30 June 2014: HK$929,000). The emoluments of each Director for the six months ended 31 December 2014 and for the year ended 30 June 2014 is as below:

Name of Director	Fees		Salaries and other allowances		Contributions to retirement benefit schemes		Total	
	01.07.2014 to 31.12.2014 *HK$'000*	01.07.2013 to 30.06.2014 *HK$'000*	01.07.2014 to 31.12.2014 *HK$'000*	01.07.2013 to 30.06.2014 *HK$'000*	01.07.2014 to 31.12.2014 *HK$'000*	01.07.2013 to 30.06.2014 *HK$'000*	01.07.2014 to 31.12.2014 *HK$'000*	01.07.2013 to 30.06.2014 *HK$'000*
Mr. Chan Kin Wah, Billy(1)	49	—	—	—	—	—	49	—
Mr. Lee Chan Wah	—	—	60	211	3	8	63	219
Mr. Wang Shang Zhong	60	120	—	—	—	—	60	120
Mr. Wang Xiao Fei(3)	—	110	—	—	—	—	—	110
Mr. Yu(2)	—	—	—	—	—	—	—	—
Mr. Du Juan Hong(4)	—	120	—	—	—	—	—	120
Mr. Chu Kin Wang, Peleus	60	120	—	—	—	—	60	120
Mr. Tam B Ray, Billy	60	120	—	—	—	—	60	120
Mr. Tse Joseph	60	120	—	—	—	—	60	120
Total emoluments	289	710	60	211	3	8	352	929

Notes:

(1) Mr. Chan Kin Wah, Billy was appointed on 5 August 2014.

(2) Mr. Yu was the chairman and a director of the Company during the period and resigned on 19 January 2015.

(3) Mr. Wang Xiao Fei resigned on 25 May 2014.

(4) Mr. Du Juan Hong resigned on 3 June 2014.

During the six months ended 31 December 2014 and the year ended 30 June 2014, no emoluments have been paid by the Group to any of the Directors as an inducement to join or upon joining the Group as compensation for loss of office. None of the directors of the Company agreed to waive or waived any emoluments in the six months ended 31 December 2014 (in the year ended 30 June 2014: Nil).

13. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals (excluding Directors' emoluments as stated in (note 12) for the six months ended 31 December 2014 and the year ended 30 June 2014 were as follows:

	01.07.2014 to 31.12.2014	**01.07.2013 to 30.06.2014**
	HK$'000	*HK$'000*
Salaries and other allowances	2,820	1,605
Contributions to retirement benefit schemes	45	68
	2,865	1,673

Their emoluments were within the following brands:

	Number of employees	
	01.07.2014 to 31.12.2014	**01.07.2013 to 30.06.2014**
	HK$'000	*HK$'000*
Nil–HK$1,000,000	4	5
HK$1,000,001–HK$2,000,000	1	—
	5	5

14. INCOME TAX EXPENSE

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

	01.07.2014 to 31.12.2014	**01.07.2013 to 30.06.2014**
	HK$'000	*HK$'000*
Current tax expense:		
Hong Kong	(889)	(555)
Deferred taxation *(note 35)*	62	68
	(827)	(487)

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

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

The income tax expense for the period/year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	Continuing operations			
	31.12.2014		**30.06.2014**	
	HK$'000	*%*	*HK$'000*	*%*
Loss before taxation	(46,216)		(10,131)	
Taxation at income tax rate of 16.5% (30.06.2014:16.5%)	7,626	16.5	1,672	16.5
Effect of different tax rates of subsidiaries operating in other jurisdictions	11	0.1	25	0.2
Tax effect of income not taxable for tax purpose	394	0.9	39	0.4
Tax effect of expenses not deductible for tax purpose	(8,159)	(17.7)	(755)	(7.5)
Tax losses not yet recognised	(761)	(1.6)	(1,536)	(15.1)
Deferred tax credit	62	0.1	68	0.7
Income tax expense for the period/year	(827)	(1.7)	(487)	(4.8)

15. DISCONTINUED OPERATIONS

During the six months ended 31 December 2014, the directors of the Company decided to abandon a business segment of sale of beauty equipment, which constituted a major line of business. The abandonment was consistent with the Group's long-term policy to focus its activities on sale of beauty products and provision of therapy services. All its operations stopped during the six months ended 31 December 2014 and year ended 30 June 2014. In the financial statements for the six months ended 31 December 2014, the results and cash flows of the business segment of sale of beauty equipment are treated as discontinued operations.

During the six months ended 31 December 2014 and year ended 30 June 2014, the discontinued operations did not generate revenue nor make any profit or loss or cash flows.

16. LOSS PER SHARE

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

From continuing and discontinued operations

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

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

From continuing operations

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

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

From discontinued operations

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

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

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

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

17. DIVIDENDS

The directors of the Company do not recommend any payment of dividends for the six months ended 31 December 2014 (for the year ended 30 June 2014: Nil).

18. PROPERTY, PLANT AND EQUIPMENT

The Group	Plant and machinery	Leasehold improvement	Furniture, fixture and equipment	Motor vehicle	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 July 2013	961	6,464	1,804	160	9,389
Additions during the year	—	3,543	565	—	4,108
Disposals	(6)	(3,401)	(15)	(160)	(3,582)
Written off	—	(2)	(7)	—	(9)
Acquisition through business combination *(note 38)*	3,365	2,739	1,424	—	7,528
At 30 June 2014 and 1 July 2014	4,320	9,343	3,771	—	17,434
Additions during the period	321	50	96	—	467
Disposals	(38)	—	—	—	(38)
Written off	(3)	(458)	—	—	(461)
At 31 December 2014	**4,600**	**8,935**	**3,867**	**—**	**17,402**
Accumulated depreciation and impairment					
At 1 July 2013	96	673	303	16	1,088
Charged for the year *(note 10)*	504	1,657	544	19	2,724
Written back on disposals	(3)	(1,181)	(4)	(35)	(1,223)
Written off	—	—	(1)	—	(1)
At 30 June 2014 and 1 July 2014	597	1,149	842	—	2,588
Charged for the period *(note 10)*	822	1,041	458	—	2,321
Written back on disposals	(17)	—	—	—	(17)
Written off	(2)	(137)	—	—	(139)
At 31 December 2014	**1,400**	**2,053**	**1,300**	**—**	**4,753**
Carrying amounts					
At 31 December 2014	**3,200**	**6,882**	**2,567**	**—**	**12,649**
At 30 June 2014	3,723	8,194	2,929	—	14,846

Included in the carrying amounts of plant and machinery and furniture, fixture and equipment of approximately HK$344,000 and approximately HK$19,000 (at 30 June 2014: HK$660,000 and HK$23,000) are held under finance leases respectively.

The Company	**Furniture, fixture and equipment** *HK$'000*
Cost	
At 1 July 2013, 30 June 2014, 1 July 2014 and 31 December 2014	10
Accumulated depreciation and impairment	
At 1 July 2013	1
Charged for the year	1
At 30 June 2014 and 1 July 2014	2
Charged for the period	1
At 31 December 2014	3
Carrying amounts	
At 31 December 2014	7
At 30 June 2014	8

19. INTANGIBLE ASSET

The Group	**Trademark** *HK$'000*
Cost	
At 1 July 2013, 30 June 2014 and 1 July 2014	18,720
Disposal during the period	(18,720)
At 31 December 2014	—
Accumulated amortisation and impairment	
At 1 July 2013, 30 June 2014 and 1 July 2014	18,720
Reversal of impairment loss *(note 9)*	(350)
Written back on disposal	(18,370)
At 31 December 2014	—
Carrying amounts	
At 31 December 2014	—
At 30 June 2014	—

Intangible asset represents the trademark "Blu Spa" (the "**Trademark**") used by the Group on its products and therapy services. Such intangible asset is amortised on a straight-line basis over 20 years and its estimated remaining useful life is 4.5 years at the end of the reporting period.

Impairment test of trademark

During the year ended 30 June 2012, the directors of the Company were of the opinion that there had been no material future cash inflow contributed to the Group by the Trademark and an impairment loss amounting to approximately HK$7,488,000 was recognised.

The Group completed its annual impairment test for the Trademark by comparing its recoverable amount to the carrying amount at 30 June 2014. The recoverable amount of the trademark is determined based on value-in-use calculation of the cash flow projections on the financial
estimation.

On 24 September 2014, the Group disposed of the Trademark with a carrying amount of HK$350,000 to an independent third party at a consideration of HK$350,000. A reversal of impairment loss amounting to HK$350,000 was recognised in the statement of profit or loss and other comprehensive income for the six months ended 31 December 2014 (for the year ended 30 June 2014: Nil).

20. GOODWILL

	The Group
	HK$'000
Cost	
At 1 July 2013	—
Additional amounts recognised from business combination occurring during the year *(note 38)*	18,266
At 30 June 2014, 1 July 2014 and 31 December 2014	**18,266**
Accumulated impairment loss	
At 1 July 2013, 30 June 2014, 1 July 2014 and 31 December 2014	**—**
Carrying amounts	
At 31 December 2014	**18,266**
At 30 June 2014	18,266

Impairment test of goodwill

Goodwill acquired through business combination has been allocated to the sale of beauty products and provision of therapy services CGUs (the "**Group of CGUs**"), which are reportable segments, for impairment testing.

The recoverable amount of the Group of CGUs is determined based on a value-in-use calculation which uses cash flow projection based on financial budgets approved by the directors of the Company covering a five-year period, and a pre tax discount rate of 17.51% per annum (at 30 June 2014: 18.04% per annum).

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

No impairment loss has been recognised in respect of goodwill related to the Group of CGUs for the six months ended 31 December 2014 and year ended 30 June 2014 as its recoverable amount exceeds the carrying amount.

The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the Groups of CGUs to exceed the aggregate its recoverable amount.

21. INVENTORIES

	The Group	
	31.12.2014	**30.06.2014**
	HK$'000	*HK$'000*
Finished goods	1,924	2,620
Less: written off *(note 10)*	(1)	(6)
	1,923	2,614

For the six months ended 31 December 2014, the cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately HK$3,011,000 (for the year ended 30 June 2014: HK$5,562,000).

During the six months ended 31 December 2014, certain inventories were obsolete that could not generate future economic benefits and a written off of inventories amounted to approximately HK$1,000 (for the year ended 30 June 2014: HK$6,000) was recognised.

22. TRADE RECEIVABLES

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

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

	The Group	
	31.12.2014	**30.06.2014**
	HK$'000	*HK$'000*
0–30 days	3,979	4,229
31–60 days	1,057	861
61–90 days	428	68
91–120 days	82	75
Over 120 days	—	7
	5,546	5,240
Less: written off as uncollectible *(note 10)*	—	(2)
	5,546	5,238

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

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	31.12.2014	**30.06.2014**	**31.12.2014**	**30.06.2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits *(Note a)*	2,238	2,288	—	—
Less: written off as uncollectible *(note 10)*	—	(6)	—	—
	2,238	2,282	—	—
Prepayments	871	409	193	163
Other receivables *(Notes b and c)*	290,558	47,923	289,435	46,329
Less: impairment loss recognised	(287,939)	—	(287,939)	—
	2,619	47,923	1,496	46,329
Amounts due from the Unconsolidated Subsidiaries *(Note c)*	—	241,426	—	238,462
Less: impairment loss recognised	—	(241,426)	—	(238,462)
	—	—	—	—
	5,728	50,614	1,689	46,492

Notes:

(a) Deposits were mainly comprised of rental deposits of approximately HK$1,863,000 for the six months ended 31 December 2014 and for the year ended 30 June 2014.

During the year ended 30 June 2014, the directors of the Company were of the opinion that the rental deposit of approximately HK$6,000 had been considered to be non-recoverable and thus written off.

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

The acquisition did not proceed and the Group has entered into various deed of termination and deeds of settlement with Mr. Shum and a deed of guarantee with Dutfield International Group Company Limited ("**Dutfield**") in relation to the repayment of the refundable deposit. As Mr. Shum defaulted in the full repayment of the refundable deposit and the accrued contractual interest despite repeated demands and requests, the Company had obtained a judgment against Mr. Shum pursuant to which it was adjudged, inter alia, that Mr. Shum shall pay to the Company the sum of HK$39,127,500 (being the amount of the outstanding and unpaid refundable deposit) together with contractual interest at the rate of 30% per annum from 1 May 2013 to 6 September 2013 and thereafter at judgment rate pursuant to s.48 of the High Court Ordinance until payment. As at 31 December 2014, the aggregate amount of the outstanding and unpaid refundable deposit and the accrued interest was approximately HK$46,500,000. Since (i) Mr. Shum failed to settle the judgment debt and the accrued interest and commenced various legal actions to prevent the Company from recovering the judgment debt and the accrued interest including a fresh legal action as announced by the Company in its announcement dated 23 January 2015; (ii) it was unclear whether and when the Company would be able to receive the judgment debt and the accrued interest in full from selling (1) the charged shares in Mr. Shum's companies; and (2) the charged properties as those properties were held by Mr. Shum and another individual as joint tenants and subject to mortgages given that the Company did not have the information of the financial status of Mr. Shum and his companies, the amount of Mr. Shum's interest in the charged properties and the outstanding loan amounts under the mortgages; and (iii) the ability of Dutfield to fulfil its obligations under the guarantee depended on the outcome of the legal proceedings for, inter alia, its claim for the sum of HK$141,360,000 under a loan agreement but Dutfield failed to obtain a summary judgment against the debtor and the outcome of the legal proceedings was uncertain, the Company decided to recognise an impairment on the judgment debt and the accrued interest in the aggregate amount of approximately HK$46,500,000. For further details, please refer to the Company's announcements dated 5 April 2012, 4 July 2012, 24 July 2012, 3 August 2012, 21 August 2012, 28 September 2012, 26 October 2012, 1 November 2012, 21 December 2012, 29 January 2013, 25 April 2013, 3 May 2013, 12 January 2015 and 23 January 2015 and the sub-section headed "Litigation" in the section headed "Management Discussion and Analysis" of the annual report dated 18 September 2014 for the year ended 30 June 2014 of the Company.

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

At 30 June 2014, included in "Deposits, prepayments and other receivables" of the Company was the amounts due from the Unconsolidated Subsidiaries amounted to approximately HK$238,462,000 and accumulated impairment losses of approximately HK$238,462,000 of which approximately HK$80,000 was recognised in the Company's statement of profit or loss and other comprehensive income for the year ended 30 June 2014. As set out in note 2, the Unconsolidated Subsidiaries were de-consolidated with effect from 1 July 2011. Accordingly, the amounts due from the Unconsolidated Subsidiaries were reclassified from interests in subsidiaries to the amounts due from the Unconsolidated Subsidiaries in the Company's financial statements and above mentioned impairment loss was recognised. The amounts due from the Unconsolidated Subsidiaries are non-interest bearing, unsecured and repayable on demand. On 19 December 2014, the Company entered into a sale and purchase agreement to dispose of the entire issued share capital of BSG to KIL at a cash consideration of HK$1.00. BSG was the intermediate holding company of the Unconsolidated Subsidiaries. The disposal was completed on 19 December 2014. Given these circumstances, the Company presented the amounts due from Unconsolidated Subsidiaries and the respective accumulated impairment losses as other receivables and the accumulated impairment losses on other receivables for the six months ended 31 December 2014.

24. CASH AND CASH EQUIVALENTS/RESTRICTED BANK DEPOSITS

	The Group		**The Company**	
	31.12.2014	**30.06.2014**	**31.12.2014**	**30.06.2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and on hand	26,553	30,633	12,694	23,355
Restricted bank deposits:				
Interest-bearing	12,554	12,516	—	—
Non-interest bearing	7,147	7,147	—	—
	46,254	50,296	12,694	23,355

Analysed for reporting purposes:

	The Group		**The Company**	
	31.12.2014	**30.06.2014**	**31.12.2014**	**30.06.2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current Assets	46,254	43,149	12,694	23,355
Non-current assets	—	7,147	—	—
	46,254	50,296	12,694	23,355

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to approximately HK$64,000 (at 30 June 2014: approximately HK$161,000).

The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Bank balances earn interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

At 31 December 2014, included in restricted bank deposits were deposits held at bank in respect of credit card and instalment sales arrangement from its sale of beauty products and provision of therapy service business, of which approximately (i) HK$7,147,000 was interest-free and maturing on 4 July 2015, and approximately (ii) an aggregate amount of approximately HK$12,554,000 with interest rates ranging from 0.9% to 1.03% per annum are maturing from January to March 2015.

25. SHARE CAPITAL

The Group and the Company

Movements in the share capital of the Company during the period/year are as follows:

	Number of shares	Amount
	'000	*HK$'000*
Ordinary shares of HK$0.10 each (at 30 June 2014: HK$0.10 each)		
Authorised:		
At 1 July 2013, 30 June 2014, 1 July 2014 and 31 December 2014	**5,000,000**	**500,000**
Issued and fully paid:		
At 1 July 2013	1,312,200	131,220
Capital reorganisation *(Note a)*	(1,299,078)	(129,908)
At 30 June 2014 and 1 July 2014	13,122	1,312
Conversion of convertible bonds *(Note b)*	40,000	4,000
Open offer of new shares *(Note c)*	19,061	1,906
Placing of new shares *(Note d)*	2,620	262
At 31 December 2014	**74,803**	**7,480**

Notes:

(a) On 28 February 2013, the shareholders of the Company approved the following changes to the capital of the Company:

(1) the issued share capital of the Company shall be reduced through a cancellation of the paid-up capital of the Company to the extent of HK$0.099 on each of the issued share of HK$0.10 in the share capital of the Company so that the nominal value of each issued share shall be reduced from HK$0.10 to HK$0.001 (the "**Capital Reduction**"); so as to form a new share with a nominal value of HK$0.001 (the "**New Shares**");

(2) every one hundred New Shares of HK$0.001 each in the share capital of the Company shall be consolidated into one issued consolidated share of HK$0.10 each (the "**Capital Consolidation**", together with the Capital Reduction, the "**Capital Reorganisation**");

(3) the credits arising from the Capital Reduction shall be transferred to the contributed surplus account.

The Capital Reorganisation became effective on 22 May 2014.

(b) During the six months ended 31 December 2014, New Cove Limited ("**New Cove**"), a wholly-owned subsidiary of Eternity, converted the principal amount of HK$40,000,000 of the convertible bonds of the Company into an aggregate of 40,000,000 ordinary shares of the Company at the initial conversion price of HK$1.00 per ordinary share.

(c) On 11 August 2014, 19,061,000 new ordinary shares of HK$0.10 each were allotted and issued at a subscription price of HK$3.00 per ordinary share by way of open offer to the qualifying shareholders of the Company on the basis of one new ordinary share for every two existing ordinary held on 16 July 2014. The net proceeds of approximately HK$54,000,000 were used for the repayment of the outstanding loan indebted to Hong Kong Builders Finance Limited ("**HK Builder**"), a wholly-owned subsidiary of Eternity.

(d) On 28 August 2014, 2,620,000 new ordinary shares of HK$0.10 each were allotted and issued at a price of HK$3.15 per ordinary share by way of placing of new shares under general mandate, raising approximately HK$7,860,000 (net of proceed), of which approximately HK$7,540,000.00 was used for the repayment of all outstanding loan indebted to HK Builder and approximately HK$320,000 was used for general working capital of the Group.

26. AMOUNT DUE TO A FORMER DIRECTOR

The Group and the Company

At 31 December 2014 and 30 June 2014, the amount due to Ms. Chan Choi Har, Ivy amounted to approximately HK$64,000.

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

Ms. Chan Choi Har, Ivy resigned as an executive director of the Company on 7 March 2012.

27. TRADE PAYABLES

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

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

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

28. ACCRUALS AND OTHER PAYABLES

	The Group		The Company	
	31.12.2014	**30.06.2014**	**31.12.2014**	**30.06.2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	3,076	6,123	2,035	5,227
Other payables *(Note a)*	2,004	2,753	1,888	1,039
Amounts due to the Unconsolidated Subsidiaries *(Note b)*	—	1,309	—	—
	5,080	10,185	3,923	6,266

Notes:

(a) On 12 May 2014, a wholly-owned subsidiary of the Company entered into a memorandum with an independent third party, for the purpose of acquiring the Trademark and its ancillary right at a consideration of HK$350,000. A refundable deposit of HK$350,000 paid by an independent third party was included in other payables at 30 June 2014. On 24 September 2014, the transaction was completed. Details of which is included in note 19 to the consolidated financial statements.

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

29. OTHER BORROWINGS

	The Group		The Company	
	31.12.2014	**30.06.2014**	**31.12.2014**	**30.06.2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest bearing other borrowings *(Notes a and c)*	2,450	61,433	—	61,433
Non-interest bearing other borrowings *(Note b)*	1,400	1,400	—	—
	3,850	62,833	—	61,433

Carrying amount repayable:

	The Group		The Company	
	31.12.2014	**30.06.2014**	**31.12.2014**	**30.06.2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	3,850	1,833	—	433
More than two years, but not exceeding five years	—	61,000	—	61,000
	3,850	62,833	—	61,433

Notes:

(a) During the six months ended 31 December 2014, included in other borrowings of HK$2,450,000 was a loan advanced by KIL, which is interest bearing at 5% per annum, unsecured and maturing on 25 August 2015. The loan is classified as current liabilities in the consolidated statement of financial position.

(b) During the six months ended 31 December 2014 and year ended 30 June 2014, included in other borrowings of HK$1,400,000 was a loan advanced by Dr. Lo Shing Kei, an independent third party, which is non-interest bearing, unsecured and repayable on demand. The loan is classified as current liabilities in the consolidated statement of financial position.

(c) During the year ended 30 June 2014, included in other borrowings of HK$21,000,000 and HK$40,000,000 were loans advanced by HK Builders, which were interest bearing at 5% per annum, unsecured and maturing on 8 April 2017 and 25 May 2017 respectively. The loans were fully settled during the six months ended 31 December 2014.

30. PROMISSORY NOTES

	The Group and the Company
	HK$'000
At 1 July 2013	—
Issue of the promissory notes, at fair value *(Note)*	12,392
Imputed interest on promissory notes *(note 11)*	326
At 30 June 2014 and 1 July 2014	12,718
Imputed interest on promissory notes *(note 11)*	351
Repayment of promissory notes	(7,000)
At 31 December 2014	**6,069**

Note:

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

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

As the 2014 Guaranteed Profit was fulfilled, the PNs I was fully repaid on 27 July 2014.

At 31 December 2014, the PNs II was subjected to the compensation obligation of the 2015 Guaranteed Profit and was classified as contingent consideration. During the period from 12 April 2014 to 31 December 2014, China Honest earned a profit before taxation and extraordinary items of approximately HK$7,662,000. The directors of the Company are of the opinion that the 2015 Guaranteed Profit is most probably to be fulfilled and no provision for contingent consideration is made.

Based on the valuation carried out by Roma Appraisals Limited, a firm of independent qualified professional valuers, the fair values of the PNs I and the PNs II at the date of their issue were HK$6,824,000 and HK$5,568,000 respectively. The effective interest rates of the PNs I and the PNs II are 11.74% per annum and 12.28% per annum respectively.

31. CONVERTIBLE BONDS

On 22 May 2014, the Company issued convertible bonds in the principal amount of HK$40,000,000 to New Cove. The convertible bonds are interest-free and are convertible into 40,000,000 shares of the Company at a conversion price of HK$1.00 per share (subject to adjustment) at any time up to the maturity date on 22 November 2016.

The convertible bonds contain two components: liability and equity components. The equity component is presented in equity heading "convertible bonds reserve". The effective interest rate of the liability component on initial recognition is 13.15% per annum, based on an independent valuation carried out by Roma Appraisals Limited.

On 2 July 2014 and 30 September 2014, New Cove converted the principal amount of HK$25,000,000 and HK$15,000,000 of the convertible bonds into 25,000,000 ordinary shares and 15,000,000 ordinary shares of the Company at the initial conversion price of HK$1.00 per share.

	The Group and the Company *HK$'000*
At 1 July 2013	—
Face value of convertible bonds issued on 22 May 2014	40,000
Equity component	(10,699)
Liability component on initial recognition at 22 May 2014	29,301
Imputed interest on convertible bonds *(note 11)*	411
Liability component at 30 June 2014 and 1 July 2014	29,712
Imputed interest on convertible bonds *(note 11)*	376
Conversion into ordinary shares	(30,088)
Liability component at 31 December 2014	—

32. DEPOSITS FROM CUSTOMERS

	The Group	
	31.12.2014	**30.06.2014**
	HK$'000	*HK$'000*
Deposits from customers	80	94

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

33. DEFERRED REVENUE

An aged analysis, based on invoice dates, of deferred revenue is as follows:

	The Group	
	31.12.2014	**30.06.2014**
	HK$'000	*HK$'000*
Within one year	17,393	5,274
More than one year but within two years	6,607	16,595
	24,000	21,869

The movement of deferred revenue is as follows:

	HK$'000
At 1 July 2013	—
Acquisition through business combination *(note 38)*	21,010
Sales contracts entered into during the year *(Note a)*	11,376
Revenue recognised upon the provision of services *(Note b)*	(10,153)
Revenue recognised upon expiry of prepaid treatment packages *(Note c)*	(364)
At 30 June 2014 and 1 July 2014	21,869
Sales contracts entered into during the period *(Note a)*	22,577
Revenue recognised upon the provision of services *(Note b)*	(18,510)
Revenue recognised upon expiry of prepaid treatment packages *(Note c)*	(1,704)
Revenue recognised for sales and redemptions of beauty products	(48)
Refunds of treatment packages *(Note d)*	(184)
At 31 December 2014	**24,000**

Notes:

(a) The amounts represent receipts from 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 the statement of profit or loss and other comprehensive income as a result of therapy services rendered to clients during the period/year.

(c) The amounts represent revenue recognised in statement of profit or loss and other comprehensive income for prepaid service packages expired in accordance with the contractual service periods stipulated in the respective sale contracts, which last for 3 months to 2 years from the invoice date of the sale contracts.

(d) The amounts represent refunds of treatment packages as a result of 5 clients' claims for the six months ended 31 December 2014 in relation to treatment outcome assessed with reference to individual physical conditions and treatment progress on a case-by-case basis.

At 31 December 2014, the entire balance of deferred revenue was aged within 2 years from the date when the respective sales contracts were entered into.

34. OBLIGATIONS UNDER FINANCE LEASES

The Group

At 31 December 2014 and 30 June 2014, the Group leased certain of its machineries and a digital photocopier under finance leases. The average lease term is 5 years for the period/year. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 0% to 3% per annum for the period/year. A motor vehicle had been disposed of during the year ended 30 June 2014.

	Minimum lease payments		**Present value of minimum lease payments**	
	31.12.2014	**30.06.2014**	**31.12.2014**	**30.06.2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:				
Within one year	509	675	444	588
More than one year and not more than five years	11	181	11	160
	520	856	455	748
Less: future finance charges	(65)	(108)	—	—
	455	748	455	748
Less: amounts due for settlement within 12 months (shown under current liabilities)			(444)	(588)
Amounts due for settlement after 12 months			11	160

Included in the obligations under finance leases of approximately (i) HK$435,000, is secured by a guarantee from the Government of the HKSAR, a joint and several guarantee from a director of China Honest and an independent third party and the Group's title to the leased assets, and approximately (ii) HK$20,000 is non-interest bearing and secured by the Group's title to the leased assets.

35. DEFERRED TAXATION

The followings are the deferred tax liabilities recognised and movements thereon:

The Group and the Company

	Convertible bonds
	HK$'000
At 1 July 2013	—
Recognised directly in equity	1,765
Credited to profit or loss *(note 14)*	(68)
At 30 June 2014 and 1 July 2014	1,697
Conversion of convertible bonds	(1,635)
Credited to profit or loss *(note 14)*	(62)
At 31 December 2014	—

At 31 December 2014, the Group has unused estimated tax losses of approximately HK$71,918,000 (at 30 June 2014: approximately HK$67,761,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams.

36. INTERESTS IN SUBSIDIARIES

	The Company	
	31.12.2014	**30.06.2014**
	HK$'000	*HK$'000*
Unlisted shares, at cost	—	483
Less: impairment losses recognised	—	(480)
	—	3
Amounts due from subsidiaries	58,855	59,010
Less: impairment losses recognised	(15,638)	(16,542)
	43,217	42,471

The carrying amounts of interest in subsidiaries are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from respective subsidiaries.

The amounts due from subsidiaries are unsecured, non-interest bearing and represent equity funding by the Company to a subsidiary as the Company does not expect repayment in the foreseeable future.

Details of the Company's subsidiaries at 31 December 2014 are set out as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and paid up share capital	Proportion of nominal value of issued capital held by the Company Directly %	Indirectly %	Principal activities
Century Capital Holdings Limited ("**Century Capital**")	British Virgin Islands	US$1	100	—	Investment holding
Century Finance (BVI) Limited	British Virgin Islands	US$1	—	100	Investment holding
Century Finance Limited	Hong Kong	HK$1	—	100	Dormant
China Honest	Hong Kong	HK$100	—	51	Marketing development, product distribution and customer support services
EDS (Asia) Limited	Hong Kong	HK$1	—	100	Marketing development, product distribution and customer support services
EDS (China) Limited	Hong Kong	HK$1	—	100	Investment holding
EDS Distribution Limited	Hong Kong	HK$1	—	100	Marketing development, product distribution and customer support services
EDS International Holdings Limited	British Virgin Islands	US$1	100	—	Investment holding
西安伊菲丹化妝品銷售有限公司[@]	The PRC	HK$500,000	—	100	Dormant

@ Wholly-owned foreign enterprise

Details of non-wholly owned subsidiary that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 31.12.2014	30.06.2014	Profit allocated to non-controlling interests 31.12.2014 *HK$'000*	30.06.2014 *HK$'000*	Accumulated non-controlling interests 31.12.2014 *HK$'000*	30.06.2014 *HK$'000*
China Honest	Hong Kong	49%	49%	1,896	1,150	3,757	1,861

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

China Honest

	31.12.2014 *HK$'000*	**30.06.2014** *HK$'000*
Current assets	40,784	26,072
Non-current assets	6,060	14,148
Current liabilities	(39,177)	(36,277)
Non-current liabilities	—	(145)
Equity attributable to owners of the Company	3,910	1,937
Non-controlling interests	3,757	1,861

	For the period from 01.07.2014 to 31.12.2014 *HK$'000*	For the period from 12.04.2014 to 30.06.2014 *HK$'000*
Revenue	20,458	9,256
Profit for the period	3,870	2,347
Profit attributable to owners of the Company	1,974	1,197
Profit attributable to the non-controlling interests	1,896	1,150
Profit for the period	3,870	2,347
Other comprehensive income attributable to owners of the Company	—	—
Other comprehensive income attributable to the non-controlling interests	—	—
Other comprehensive income during the period	—	—
Total comprehensive income attributable to owners of the Company	1,974	1,197
Total comprehensive income attributable to the non-controlling interests	1,896	1,150
Total comprehensive income during the period	3,870	2,347
Dividend	—	—
Net cash inflow from operating activities	7,155	13,041
Net cash outflow from investing activities	(347)	(42)
Net cash outflow from financing activities	(290)	(127)
Net cash inflow	6,518	12,872

37. RESERVES

The Company

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Convertible bonds reserve HK$'000	Total HK$'000
At 1 July 2013	175,357	—	(286,861)	—	(111,504)
Loss for the year	—	—	(28,214)	—	(28,214)
Capital reduction	—	129,908	—	—	129,908
Share premium cancellation	(175,357)	175,357	—	—	—
Transfer from contributed surplus to accumulated losses	—	(278,124)	278,124	—	—
Recognition of the equity component of convertible bonds	—	—	—	10,699	10,699
Deferred tax on convertible bonds	—	—	—	(1,765)	(1,765)
At 30 June 2014 and 1 July 2014	—	27,141	(36,951)	8,934	(876)
Loss for the period	—	—	(48,041)	—	(48,041)
Conversion of convertible bonds	36,658	—	—	(8,934)	27,724
Open off of new shares	55,277	—	—	—	55,277
Placing of new shares	7,991	—	—	—	7,991
Share issue expense	(2,004)	—	—	—	(2,004)
At 31 December 2014	**97,922**	**27,141**	**(84,992)**	**—**	**40,071**

38. BUSINESS COMBINATION

For the six months ended 31 December 2014

On 18 December 2014, the Company entered into a sale and purchase agreement with 21 Holdings Limited ("**21 Holdings**"), for acquiring the entire shares in and the sale loan due by Century Capital at a cash consideration of HK$1. Three directors of 21 Holdings are the directors of Eternity, the controlling shareholder of the Company. The acquisition was completed on 18 December 2014.

	HK$'000
Consideration:	
— Cash paid	—
Total consideration	—

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Amount due to shareholder	(747,444)
Total identifiable net liabilities at fair value	(747,444)
Sale loan	747,444
Goodwill	—
	—

	HK$'000
Net cash outflow on acquisition of a subsidiary	
Consideration paid in cash	—
Less: cash and cash equivalent balances acquired	—
	—

The goodwill represented the excess of the fair value of the consideration as at the acquisition date over the fair value of the net assets.

Century Finance did not generate any revenue nor make any profit or loss to the Group during the period from 18 December 2014, being the date of acquisition, to 31 December 2014.

Had the combination taken place at the beginning of the six months ended 31 December 2014, the revenue of the Group and the loss of the Group for the year would have no material effect. The pro forma information is for illustrative purpose only.

For the year ended 30 June 2014

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

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

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

	HK$'000
Consideration:	
— Cash paid	8,000
— PNs I *(note 30)*	6,824
— PNs II *(note 30)*	5,568
Total consideration	20,392

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment *(note 18)*	7,528
Restricted bank deposits	7,147
Inventories	629
Trade receivables	3,423
Deposits and prepayments	3,151
Bank balances and cash	5,337
Amount due to a director	(1,387)
Trade payables	(163)
Deposit from customer	(3)
Deferred revenue *(note 33)*	(21,010)
Accruals and other payables	(892)
Obligation under finance leases	(852)
Other borrowings *(note 29)*	(1,400)
Tax payable	(58)
Total identifiable net assets at fair value	1,450
Non-controlling interests (49% of China Honest)	(711)
Sale loan	1,387
Goodwill *(note 20)*	18,266
	20,392

	HK$'000
Net cash outflow on acquisition of a subsidiary	
Consideration paid in cash	8,000
Less: cash and cash equivalent balances acquired	(5,337)
	2,663

The goodwill represented the excess of the fair value of the consideration as at the acquisition date over the fair value of the net assets.

The non-controlling interests (49%) in China Honest recognised at the acquisition date was measured by reference to the non-controlling interests' proportionate share of China Honest identifiable net assets and amounted to approximately HK$711,000.

Acquisition-related costs of approximately HK$3,731,000 have been charged to administrative expenses in the consolidated profit or loss and other comprehensive income for the year ended 30 June 2014.

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

As the 2014 Guaranteed Profit was fulfilled, the PNs I was fully repaid on 27 July 2014.

At 31 December 2014, the PNs II was subjected to the compensation obligation of the 2015 Guaranteed Profit and was classified as contingent consideration. During the period from 12 April 2014 to 31 December 2014, China Honest earned a profit before taxation and extraordinary items of approximately HK$7,662,000. The directors of the Company are of the opinion that the 2015 Guaranteed Profit is most probably to be fulfilled and no provision for contingent consideration is made.

China Honest contributed approximately HK$9,256,000 to the Group's revenue and a profit of approximately HK$2,347,000 to the consolidated statement of profit or loss and other comprehensive income during the period from 11 April 2014, being the date of acquisition, to 30 June 2014.

Had the combination taken place at the beginning of the year ended 30 June 2014, the revenue of the Group and the loss of the Group for the year would have been approximately HK$53,772,000 and approximately HK$15,211,000, respectively. The pro forma information is for illustrative purpose only.

39. DISPOSAL OF A SUBSIDIARY

For the six months ended 31 December 2014

On 19 December 2014, the Company entered into a sale and purchase agreement to dispose of the entire issued share capital of BSG to KIL at a cash consideration of HK$1. The disposal was completed on 19 December 2014. Details of the assets and liabilities of BSG and its subsidiaries are set out as follows:

	HK$'000
Amounts due to Unconsolidated Subsidiaries	(1,359)
Net liabilities disposed of	(1,359)
Gain on disposal of a subsidiary	
Cash consideration received	—
Net liabilities disposed of	1,359
	1,359
Net cash inflow arising from disposal	
Consideration paid in cash	—
Less: cash and cash equivalents disposed of	—
	—

40. COMMITMENTS

Lease commitments

The Group as lessee

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

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

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

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

41. RETIREMENT BENEFIT SCHEMES

With effect from 1 December 2000, the Group has set up a defined contribution retirement scheme, the MPF Scheme, for all the eligible employees of the Group. The Group did not provide retirement benefits for its employees prior to set up of the MPF Scheme.

Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK$1,500 per employee and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of each employee's monthly salaries up to a maximum of HK$30,000 (the "**Mandatory Contribution**"). The employees are entitled to 100% of the Mandatory Contribution upon their retirement at the age of 65 years old, death or total incapacity.

42. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in amounts due from the Unconsolidated Subsidiaries (note 23), amount due to a former director (note 26), amounts due to the Unconsolidated Subsidiaries (note 28) and elsewhere to the consolidated financial statements, the Group entered into the following material transactions with related parties during the period/year:

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

Notes:

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

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

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

Compensation for key management personnel

Emoluments for key management personnel including amounts paid to the directors of the Company and certain of the highest paid employees, as disclosed in notes 12 and 13 to the consolidated financial statements, were as follows:

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

43. CAPITAL MANAGEMENT

Capital risk management

The primary objective of the Group's capital management is to safeguard the entities in the Group will be able to continue as a going concern and maintain healthy ratios in order to support its business and enhance shareholder's value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares or obtain borrowings from banks or other third parties. The Group's capital management objective, policies or processes were unchanged during the six months ended 31 December 2014 and the year ended 30 June 2014.

The Group monitors capital using gearing ratio, which is the Group's total borrowings over equity attributable to owners of the Company. The gearing ratios at 31 December 2014 and 30 June 2014 were as follows:

	31.12.2014	**30.06.2014**
	HK$'000	*HK$'000*
Total borrowings *(Note a)*	10,374	106,011
Less: cash and cash equivalents *(Note b)*	(26,553)	(30,633)
	(16,179)	75,378
Equity attributable to owners of the Company	45,299	(919)
Gearing ratio	22.9%	N/A

Notes:

(a) Borrowings include other borrowings, promissory notes, convertible bonds and obligations under finance leases.

(b) Cash and cash equivalents comprise bank balances and cash on hand at the end of the reporting period.

44. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group		**The Company**	
	31.12.2014	**30.06.2014**	**31.12.2014**	**30.06.2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	56,657	105,739	57,407	112,152
Financial liabilities				
Amortised cost	15,728	116,659	10,056	110,193

Financial risk management objectives and policies

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. These risks include credit risk, liquidity risk and price risk.

(a) Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the executive directors of the Company are 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 Group reviews the recoverable amount of each individual trade receivables and debt investment at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

(b) Liquidity risk

Ultimate responsibility for liquidity management risk rests with the board of directors of the Company, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate level of cash and cash equivalent by continuously monitoring forecast and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate	Less than 1 year *HK$'000*	1 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Total carrying amount *HK$'000*
The Group						
At 31 December 2014						
Amount due to a former director	—	64	—	—	64	64
Trade payables	—	210	—	—	210	210
Accruals and other payables	—	5,080	—	—	5,080	5,080
Other borrowings	3%	3,930	—	—	3,930	3,850
Promissory notes	12%	6,051	—	—	6,051	6,069
Obligations under finance leases	5%	509	11	—	520	455
		15,844	11	—	15,855	15,728

	Weighted average effective interest rate	Less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 30 June 2014						
Amount due to a former director	—	64	—	—	64	64
Trade payables	—	399	—	—	399	399
Accruals and other payables	—	10,185	—	—	10,185	10,185
Other borrowings	5%	5,317	66,664	—	71,981	62,833
Promissory notes	12%	13,420	—	—	13,420	12,718
Convertible bonds	13%	—	40,000	—	40,000	29,712
Obligations under finance leases	3%	675	181	—	856	748
		30,060	106,845	—	136,905	116,659

	Weighted average effective interest rate	Less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
The Company						
At 31 December 2014						
Amount due to a former director	—	64	—	—	64	64
Accruals and other payables	—	3,923	—	—	3,923	3,923
Promissory notes	12%	6,051	—	—	6,051	6,069
		10,038	—	—	10,038	10,056
At 30 June 2014						
Amount due to a former director	—	64	—	—	64	64
Accruals and other payables	—	6,266	—	—	6,266	6,266
Promissory notes	12%	13,420	—	—	13,420	12,718
Convertible bonds	13%	—	40,000	—	40,000	29,712
Other borrowings	5%	3,917	66,664	—	70,581	61,433
		23,667	106,664	—	130,331	110,193

Fair value of financial instruments

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

- the fair values 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.

Except for the promissory notes and the liability component of convertible bonds, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values:

	31.12.2014		**30.06.2014**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*	*HK$000*
Promissory notes	6,069	6,051	12,718	12,715
Convertible bonds	—	—	29,712	30,002

There were no transfers between Level 1 and 2, or transfers into or out of Level 3 in the current period and prior year.

45. LITIGATION AND CONTINGENT LIABILITIES

Save as disclosed in elsewhere of the consolidated financial statements, the Group has the following litigation and contingent liabilities:

(a) As disclosed in the Company's announcement dated 5 April 2012, 4 July 2012, 24 July 2012, 3 August 2012, 21 August 2012, 28 September 2012, 26 October 2012, 1 November 2012, 21 December 2012, 29 January 2013, 25 April 2013, 3 May 2013 and 12 January 2015 respectively and the sub-section headed "Litigation" in the section headed "Management Discussion and Analysis" of the annual report dated 18 September 2014 for the year ended 30 June 2014 in relation to, among other matters, the deed of termination, entered into between BSHK and 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 Action No. 1775 of 2012 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 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 High Court of Hong Kong Special Administrative Region (the "**Court**") to restore the hearing of the summary judgment application and substitute BSHK as the plaintiff in the summary judgment application against Mr. Shum. On 25 July 2013, a consent order was granted by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "**Court of First Instance**") that, among others, the Company be granted leave to substitute BSHK as the plaintiff in the legal action against Mr. Shum. An amended statement of claim was filed on about 30 July 2013.

At the hearing of the Company's application for summary judgment held on 6 September 2013 (the "**Summary Judgment**"), the Court of First Instance adjudged that Mr. Shum (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 of First Instance for garnishee orders (the "**Garnishee Orders**") and charging orders (the "**Charging Orders**") for the recovery of the judgment debt. The hearing of the Garnishee Orders and Charging Orders was originally fixed to be heard on 6 November 2013. However, Mr. Shum made an application to the Court of First Instance on 4 November 2013 for staying the proceedings for the Charging Orders and the Garnishee Orders and setting aside the Summary Judgment. The Company asked for the adjournment of hearing on 6 November 2013 in order to file and serve affirmation in opposition to Mr. Shum's application. The application for making the Charging Orders and Garnishee Orders and Mr. Shum's application was therefore adjourned to be heard on 5 March 2014. The application by Mr. Shum for setting aside the Summary Judgment was dismissed by the Court of First Instance on 12 January 2015. On 14 January 2015, the Court of First Instance handed down an addendum for the grant of the Charging Orders and Garnishee Orders absolute. On 26 January 2015, Mr. Shum filed a summons for an application to vary the costs order nisi granted in the judgment dated 12 January 2015. A hearing of the summons was held on 10 March 2015. On 11 March 2015, the Court of First Instance handed down a judgment dismissing the application from Mr. Shum.

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

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

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

(i) order Yaji and the Company to forthwith and jointly pay to Yiying the outstanding management fees from February 2012 to January 2014 in the aggregate amount of approximately RMB2,866,000 (equivalent to approximately HK$3,620,000) and the default payment until the day of actual repayment (which is in aggregate amount of approximately RMB1,369,000 (equivalent to approximately HK$1,729,000) as at 31 January 2014), totalling amounted to approximately RMB4,235,000 (equivalent to approximately HK$5,349,000);

(ii) order Yaji and the Company to forthwith and jointly pay to Yiying the outstanding utilities and miscellaneous fees from February 2012 to January 2014 in the aggregate amount of approximately RMB2,000 (equivalent to approximately HK$3,100) and the interest loss until the day of actual repayment (which is in aggregate amount of approximately RMB300 (equivalent to approximately HK$400)), totalling amounted to approximately RMB3,000 (equivalent to approximately HK$3,500);

(iii) order the appraisal fee of RMB7,500 (equivalent to approximately HK$10,000) for the security for the application for preservation of property be borne jointly by Yaji and the Company; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

46. EVENTS AFTER REPORTING PERIOD

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

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

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

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

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

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

(v) the costs; and

(vi) further or other relief.

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

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

47. COMPARATIVE INFORMATION

Certain comparative amounts have been reclassified to conform with the current period presentation.

48. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 March 2015.

C. Third quarterly report of EDS Group for the nine months ended 30 September 2015

Set out below is the unaudited financial statement of EDS Group for the nine months ended 30 September 2015 together with the relevant notes thereto as extracted from the third quarterly report of EDS for the nine months ended 30 September 2015.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2015

		For the three months ended 30 September		For the nine months ended 30 September	
		2015	2014	**2015**	2014
	Notes	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*3*	**11,667**	10,923	**32,370**	30,003
Cost of sales		**(8,277)**	(7,474)	**(23,639)**	(18,653)
Gross profit		**3,390**	3,449	**8,731**	11,350
Other revenue	*4*	**84**	1,216	**226**	2,968
Selling and distribution costs		**(552)**	(625)	**(1,457)**	(972)
Administrative expenses		**(12,468)**	(3,392)	**(23,694)**	(16,858)
Impairment loss recognised in respect of deposits, prepayments and other receivables		**—**	—	**—**	(80)
Loss from operations		**(9,546)**	648	**(16,194)**	(3,592)
Finance costs	*5*	**(272)**	(959)	**(734)**	(4,711)
Loss before taxation		**(9,818)**	(311)	**(16,928)**	(8,303)
Income tax expense	*7*	**(286)**	(388)	**(634)**	(875)
Loss for the period	*6*	**(10,104)**	(699)	**(17,562)**	(9,178)

	Notes	For the three months ended 30 September 2015 (Unaudited) HK$'000	For the three months ended 30 September 2014 (Unaudited) HK$'000	For the nine months ended 30 September 2015 (Unaudited) HK$'000	For the nine months ended 30 September 2014 (Unaudited) HK$'000
Other comprehensive (expenses)/income for the period					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**(87)**	1	**(72)**	(5)
Total comprehensive expenses for the period		**(10,191)**	(698)	**(17,634)**	(9,183)
(Loss)/profit for the period attributable to:					
Owners of the Company		**(10,629)**	(1,651)	**(18,989)**	(11,280)
Non-controlling interests		**525**	952	**1,427**	2,102
		(10,104)	(699)	**(17,562)**	(9,178)
Total comprehensive (expenses)/income for the period attributable to:					
Owners of the Company		**(10,716)**	(1,650)	**(19,061)**	(11,285)
Non-controlling interests		**525**	952	**1,427**	2,102
		(10,191)	(698)	**(17,634)**	(9,183)
Loss per share (HK cent(s))	*9*				
Basic and diluted		**(14.2)**	(3.3)	**(25.4)**	(44.4)

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and with effect from 22 April 2014, the Company was deregistered in the Cayman Islands and continued in Bermuda as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate holding company is Eternity Investment Limited ("**Eternity**"), a company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange. The Company's addresses of the registered office and the principal place of business of the Company in Hong Kong is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Unit 3811, 38/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong respectively.

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

The Company's principal activity is investment holding and the principal activities of its principal subsidiaries are the development, distribution and marketing of personal care treatment, products and services.

2. BASIS OF PREPARATION

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

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the audited consolidated financial statements for the six months ended 31 December 2014.

The HKICPA has issued a number of new and revised standards, and amendments to standards and int (collectively referred to as "**new and revised HKFRSs**"). The Group has adopted the new and revised HKFRSs which are relevant to the Group's operations and are mandatory for the financial year beginning on 1 January 2015. The adoption of these new and revised HKFRSs does not have any significant financial effect on the Group's unaudited results of operations and financial position.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective for the nine months ended 30 September 2015.

3. TURNOVER

	For the three months ended 30 September		For the nine months ended 30 September	
	2015	2014	**2015**	2014
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sale of beauty products	**1,068**	738	**3,192**	9,922
Provision of therapy services	**10,599**	10,185	**29,178**	20,081
	11,667	10,923	**32,370**	30,003

4. OTHER REVENUE

	For the three months ended 30 September		For the nine months ended 30 September	
	2015	2014	**2015**	2014
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Gain on disposal of property, plant and equipment	**—**	—	**12**	183
Interest income on bank deposits	**83**	30	**212**	43
Other interest income	**—**	789	**—**	2,341
Sundry income	**1**	397	**2**	401
	84	1,216	**226**	2,968

5. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2015	2014	**2015**	2014
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Imputed interest on convertible bonds	**—**	376	**—**	787
Imputed interest on promissory notes	**—**	176	**351**	502
Interest expenses on finance leases	**22**	22	**65**	46
Interest on other borrowings wholly payable within 5 years	**250**	385	**318**	3,376
	272	959	**734**	4,711

6. LOSS FOR THE PERIOD

	For the three months ended 30 September		For the nine months ended 30 September	
	2015	2014	**2015**	2014
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the period before tax arrived at after charging				
Staff costs including directors' remunerations	**10,609**	3,882	**22,272**	9,260
Depreciation of property, plant and equipment	**1,217**	1,160	**3,570**	2,788
Operating lease rentals in respect of rented premises	**1,989**	1,580	**5,137**	4,394
Loss on disposal of property, plant and equipment	—	—	—	1,816
Written down of property, plant and equipment	—	—	—	2
Written off of deposits	—	—	—	6
Written off of inventories	—	—	—	1
Written off of trade receivables	—	—	—	2

7. INCOME TAX EXPENSE

(i) Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the nine months ended 30 September 2015.

(ii) No provision for overseas income tax was made as the Company's overseas subsidiaries did not have taxable income for the nine months ended 30 September 2015 (2014: Nil).

(iii) The Group had no significant unprovided deferred tax assets and liabilities at 30 September 2015 (2014: Nil).

8. DIVIDEND

The Directors did not recommend payment of interim dividend for the nine months ended 30 September 2015 (2014: Nil).

9. LOSS PER SHARE

	For the three months ended 30 September		For the nine months ended 30 September	
	2015	2014	**2015**	2014
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the period attributable to owners of the Company	**10,629**	1,651	**18,989**	11,280

	Number of ordinary shares			
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	'000	*'000*	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per shares	**74,803**	49,548	**74,803**	25,397

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

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

10. RESERVES

	Attributable to owners of the Company									
	Share capital	Share premium	Merger reserve	Contributed surplus	Convertible bonds reserve	Translation reserve	Accumulated losses	Sub-total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015 (audited)	7,480	97,922	—	27,141	—	11	(87,255)	45,299	3,757	49,056
(Loss)/profit for the period	—	—	—	—	—	—	(18,989)	(18,989)	1,427	(17,562)
Other comprehensive expenses for the period:										
Exchange differences on translating foreign operations	—	—	—	—	—	(72)	—	(72)	—	(72)
Total comprehensive (expenses)/income for the period	—	—	—	—	—	(72)	(18,989)	(19,061)	1,427	(17,634)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(3,871)	(3,871)
At 30 September 2015 (unaudited)	**7,480**	**97,922**	**—**	**27,141**	**—**	**(61)**	**(106,244)**	**26,238**	**1,313**	**27,551**
At 1 January 2014 (unaudited)	131,220	175,357	22,734	—	—	16	(329,545)	(218)	—	(218)
(Loss)/profit for the period	—	—	—	—	—	—	(11,280)	(11,280)	2,102	(9,178)
Other comprehensive expenses for the period:										
Exchange differences on translating foreign operations	—	—	—	—	—	(5)	—	(5)	—	(5)
Total comprehensive (expenses)/income for the period	—	—	—	—	—	(5)	(11,280)	(11,285)	2,102	(9,183)
Non-controlling interests arising on acquisition of a subsidiary	—	—	—	—	—	—	—	—	711	711
Capital reduction	(129,908)	—	—	129,908	—	—	—	—	—	—
Share premium cancellation	—	(175,357)	—	175,357	—	—	—	—	—	—
Amount transfer from contributed surplus to accumulated losses	—	—	—	(278,124)	—	—	278,124	—	—	—
Recognition of the equity component of convertible bonds	—	—	—	—	10,699	—	—	10,699	—	10,699
Deferred tax on convertible bonds	—	—	—	—	(1,765)	—	—	(1,765)	—	(1,765)
Conversion of convertible bonds	4,000	36,658	—	—	(8,934)	—	—	31,724	—	31,724
Open offer of new shares	1,906	55,277	—	—	—	—	—	57,183	—	57,183
Placing of new shares	262	7,991	—	—	—	—	—	8,253	—	8,253
Shares issue expenses	—	(1,896)	—	—	—	—	—	(1,896)	—	(1,896)
At 30 September 2014 (unaudited)	7,480	98,030	22,734	27,141	—	11	(62,701)	92,695	2,813	95,508

3. MATERIAL CHANGE

Save for the following events, the EDS Directors confirm that, there had been no material change in the financial or trading position or outlook of the EDS Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the EDS Group were made up, up to and including the Latest Practicable Date:

(i) the entering into and completion of the Subscription Agreement pursuant to which EDS has issued 345,000,000 Ordinary Subscription EDS Shares and 30,000,000 Preferred Shares to the Subscribers, and has received gross proceeds of HK$150 million from the Subscribers in respect of the Subscription. The net proceeds from the Subscription are approximately HK$135 million;

(ii) upon Completion, Eternity has ceased to be the controlling shareholder of EDS while Xing Hang has become the new controlling shareholder of EDS with the intention to assist the EDS Group to develop in-flight WLAN and WIFI engineering and service business in the PRC as detailed in the paragraph headed "Future intentions of Xing Hang in relation to the EDS Group" in the letter from Kingston Securities in this Composite Document;

(iii) in relation to the acquisition (the "**Acquisition**") of a 51% equity interest in and the shareholders' loan due by China Honest Enterprises Limited, EDS published a profit forecast for the 12-month period ending 30 June 2015 with basis and assumptions (the "**2015 Profit Forecast**") as stated in the Appendix VI to the circular of EDS dated 21 March 2014. As stated in the interim report of EDS for the six months ended 30 June 2015 (the "**Interim Report**"), the EDS Group recorded a loss after tax of approximately HK$7.5 million for the six months ended 30 June 2015, as compared to the forecast profit after tax of approximately HK$5.1 million in the same period as estimated in the 2015 Profit Forecast (the "**Deviation**") and the Deviation was mainly due to (i) a substantial decrease in the revenue derived from the sale of beauty products and provision of therapy services under the brand name "Evidens de Beauté" for the six months ended 30 June 2015; (ii) a substantial increase in legal and professional fees; and (iii) the substantial increase in staff costs incurred for the six months ended 30 June 2015.

Moreover, with regard to the Acquisition, the EDS Group issued four promissory notes as part of the consideration for the Acquisition. The promissory notes in the aggregate principal amount of HK$7 million matured and were fully repaid on 27 July 2014 and the remaining promissory notes in the aggregate principal amount of HK$6.42 million matured and were fully repaid on 30 June 2015;

(iv) as stated in the unaudited consolidated statement of profit or loss and other comprehensive income set out in the third quarterly report of EDS for the nine months ended 30 September 2015 (the "**3rd Quarterly Report")**, the EDS Group recorded turnover of approximately HK$32.4 million, gross profit of approximately HK$8.7 million and loss after tax of approximately HK$17.6 million for the nine months ended 30 September 2015 as compared to turnover of approximately HK$30 million, gross profit of approximately HK$11.4 million and loss after tax of approximately HK$9.2 million for the nine months ended 30 September 2014. As stated in the 3rd Quarterly Report, the deterioration of the results was mainly attributed to (i) an unsatisfactory performance of the business segment under the brand name "Evidens de Beauté"; and (ii) the increase in staff costs including directors' emoluments which was mainly attributable to the staff costs incurred by the WFOE (as defined below) since April 2015;

(v) based on EDS's books and records, the EDS Group had operating lease commitments of approximately HK$15.3 million as at 30 September 2015 as compared to approximately HK$4.5 million as at 31 December 2014. The increase in operating lease commitments was mainly attributable to the renewal of a lease of property by the EDS Group;

(vi) as stated in the announcement of EDS dated 31 March 2015, EDS Distribution Limited ("**EDS Distribution**"), an indirect wholly-owned subsidiary of EDS, was the exclusive distributor for "Evidens de Beauté" products in Hong Kong and Macau under an exclusive distribution agreement dated 13 July 2012 and the supplemental agreement dated 29 August 2013 (collectively, the "**Exclusive Distribution Agreement**") with Montaigne Limited ("**Montaigne**"). The initial term of the exclusive distributorship under the Exclusive Distribution Agreement would expire on 30 June 2015 which would be automatically renewed for one year unless terminated by either party to the Exclusive Distribution Agreement by giving not less than 3-month prior notice. Pursuant to the terms of the Exclusive Distribution Agreement, the minimum annual purchase amount that EDS Distribution was required to deliver for the renewed term shall not be less than the minimum annual purchase amount for the last contractual year. Due to the decline in the growth of the number of Mainland China visitors to Hong Kong and their spending power and the negative impact of the recent anti-parallel import protests on the retail market, the EDS Group was not optimistic on the performance of the retail market in the forthcoming period. In order to avoid the risk of not meeting the minimum annual purchase amount under the Exclusive Distribution Agreement, on 31 March 2015 (after trading hours), EDS Distribution notified Montaigne of its intention to terminate the Exclusive Distribution Agreement upon the expiry of the initial term of the Exclusive Distribution Agreement on 30 June 2015;

(vii) as set out in the circular of EDS dated 7 October 2015, EDS intends to focus the operations under the brand name "Evidens de Beauté" on the sale of products on a wholesale basis at Lyndhurst Terrace. In connection with such plan, the sales office in Kwun Tong has been relocated to Lyndhurst Terrace and the spa, facial sahos, body treatments and wellness massages services at Lyndhurst Terrace have ceased operations;

(viii) as stated in the Interim Report, on 13 April 2015, the EDS Group set up a wholly-foreign-owned enterprise (the "**WFOE**") in Shenzhen, the PRC, namely 深圳多尼卡互聯技術有限公司 (Shenzhen Donica Networking Technology Co. Ltd., for identification only), with a registered share capital of RMB5 million (equivalent to HK$6.3 million), for the development of new business in in-flight WLAN and WIFI engineering and service business. As compared to 55 employees as at 31 December 2014, the EDS Group had 106 employees as at 30 September 2015, including those employed by the WFOE;

(ix) on 6 November 2015, EDS and Donica entered into the Master Supply Agreement in respect of the sale and purchase of the In-flight WLAN and WIFI Equipment and the provision of related installation and maintenance services. Further details of the Master Supply Agreement were set out in the Circular;

(x) as stated in the announcement of EDS dated 11 June 2015, EDS entered into a loan agreement dated 11 June 2015 with a lender to borrow HK$10 million for the development of the in-flight WLAN and WIFI engineering and services business in the PRC; and

(xi) as set out in the section headed "6. Litigation" in Appendix III to this Composite Document, the following litigations:

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

(1) the Judgment in High Court Action No. 1775 of 2012 dated 6 September 2013 (the "**Summary Judgment**"), pursuant to which the Court of First Instance of the High Court of Hong Kong (the "**Court**") adjudged that Mr. Shum (1) shall pay EDS the sum of HK$39,128,000 together with contractual interest thereon calculated from day to day at the rate of 30% per annum from 1 May 2013 to 6 September 2013, and thereafter at judgment rate pursuant to section 48 of the High Court Ordinance (Chapter 4 of the Laws of Hong Kong) (the "**High Court Ordinance**") until payment (the "**Judgment Debt**"); and (2) shall pay EDS the costs of the action including the costs of and occasioned by EDS's application for the Summary Judgment to be taxed if not agreed, entered against Mr. Shum be set aside;

(2) loss and damages suffered by Mr. Shum as a result of the Summary Judgment being obtained against him;

(3) an order for discovery upon oath of all matters relating to the Summary Judgment;

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

(5) cost; and

(6) further or other relief.

On 30 March 2015, EDS received a statement of claim in the High Court of Hong Kong filed by Mr. Shum in relation to the High Court Action No. 200 of 2015 to claim against EDS for: (i) the Summary Judgment be set aside; (ii) the loss and damages suffered by Mr. Shum as a result of the Summary Judgment against him; (iii) an order for discovery upon oath of all matters relating to the Summary Judgment; (iv) an order for payment of all sums found due to Mr. Shum together with interest thereon; and (v) costs. On 14 May 2015, EDS filed a defence to refute the statement of claim in that action on the basis, among others: that (i) Mr. Shum was bound by the Summary Judgment; and (ii) EDS denied the allegations raised against EDS by Mr. Shum in the statement of claim.

(b) On 19 May 2015, the EDS Board announced that EDS commenced legal proceedings (the "**May Proceedings**") in the Court against Mr. Shum as the 1st Defendant, E In International Group Limited as the 2nd Defendant, E In Properties Limited as the 3rd Defendant and Grand Fill Enterprise Limited as the 4th Defendant for, amongst others, the following reliefs to recover the Judgment Debt under the Summary Judgment:

(1) Mr. Shum's interest in all the shares or shareholdings in the 2nd Defendant, 3rd Defendant and 4th Defendant (the "**Shares**") which have been charged in favour of EDS be sold without further reference to the Court by way of tender or public auction at the best price reasonably obtainable;

(2) the solicitors for EDS shall have the conduct of the sale of the Shares by appointing an agent, to sell the Shares by way of tender or public action;

(3) the execution of the requisite deeds or documents to effect the sale stated in paragraphs (1) and (2) above by Mr. Shum or by the Registrar of the Court;

(4) EDS shall apply the sale proceeds from the sale of the Shares to (a) pay the costs and expenses of effecting the above sale; (b) pay the costs of the May Proceedings; (c) pay the Judgment Debt (together with interest) under the Summary Judgment; and (d) pay the balance (if any) to Mr. Shum or into the Court or as the Court shall direct;

(5) further or alternative to paragraphs (1), (2) and (3) above, a receiver be appointed to (a) receive Mr. Shum's profits, income, benefits, interest and/or assets deriving and/or arising from the Shares; and/or (b) to take over and/or realize the Shares for the purpose of defraying the Judgment Debt (together with interest) under the Summary Judgment; and

(6) the costs of the May Proceedings to EDS.

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

During the hearing of the 23 September 2015 (the "**23 September 2015 Hearing**"), EDS agreed to withhold the enforcement of the Summary Judgment pending the resolution of the HCA No. 200 of 2015 in which a writ of summons was issued by Mr. Shum as the plaintiff against EDS as the defendant for, inter alia, setting aside the Summary Judgment, on the condition that Mr. Shum shall pay the judgment sum together with interest accrued under the Summary Judgment into Court. It was therefore ordered by the Court (the "**23 September 2015 Order**") that unless either:

(1) Mr. Shum was able to provide a guarantee to secure the judgment sum of HK$47,767,709.60, being the outstanding indebtedness (inclusive of interest) up to 8 June 2015 under the Summary Judgment (the "**Judgment Sum**"), which was agreed by EDS in writing or approved by the Court; or

(2) alternatively, Mr. Shum paid the Judgment Sum into Court,

within a period of 28 days from the date of the 23 September 2015 Order, the order by the Court for the appointment of receivers by way of equitable execution over (a) all the Shares; and (b) all Mr. Shum's interests benefits and/or rights in the Properties (as defined in paragraph (c)(1) below) would take effect.

On 19 October 2015, EDS was served with a summons taken out by Mr. Shum seeking for an extension of time of 14 days from the date of the 23 September 2015 Order. At the hearing on 20 October 2015, it was ordered by the Court that the period of 28 days from the date of the 23 September 2015 Order be extended for 14 days to 5 November 2015.

On 2 November 2015, it was ordered by the Court that the draft bank guarantee provided by Mr. Shum for the purpose of securing the Judgment Sum was not approved.

On 5 November 2015, EDS received a notice from Mr. Shum's solicitors that Mr. Shum had paid HK$47,767,709.60 into the Court in compliance with the 23 September 2015 Order. Under the 23 September 2015 Order, upon the payment into the Court by Mr. Shum, the order for the appointment of receivers as mentioned above shall be forthwith discharged.

(c) On 9 June 2015, the EDS Board announced that EDS commenced legal proceedings (the "**June Proceedings**") in the Court against Mr. Shum as the 1st Defendant, Wing Lung Bank Limited as the 2nd Defendant and Hang Seng Bank Limited as the 3rd Defendant for, amongst others, the following reliefs to recover the Judgment Debt under the Summary Judgment:

(1) Mr. Shum's interest in the properties and/or lands situate at (i) House 4, The Baroque, Nos.1-7 Kau To Shan Road, Shatin, New Territories (the "**First Property**"); (ii) Ground Floor, No. 1 Kau To Path, Lot No. 838 in DD171, Shatin, New Territories (the "**Second Property**"); and (iii) Ground Floor, No. 1 Kau To Path, Lot No. 839 in DD171, Shatin, New Territories (the "**Third Property**") (collectively as the "**Properties**") which have been charged in favour of EDS be sold without further reference to the Court by way of tender or public auction at the best price reasonably obtainable;

(2) the solicitors for EDS shall have the conduct of the sale of the Properties by appointing an agent, to sell the Properties by way of tender or public auction;

(3) the execution of the requisite deeds or documents to effect the sale stated in paragraphs (1) and (2) above by Mr. Shum or by the Registrar of the Court;

(4) EDS shall apply the sale proceeds from the sale of the First Property to (a) pay the costs and expenses of effecting the above sale; (b) pay the costs of the June Proceedings; (c) pay the outstanding indebtedness owed to Hang Seng Bank Limited as secured by a mortgage over the First Property; (d) pay the Judgment Debt (together with interest) owed to EDS under the Summary Judgment; and (e) pay the balance (if any) to Mr. Shum or into the Court or as the Court shall direct;

(5) EDS shall apply the sale proceeds from the sale of the Second Property and Third Property to (a) pay the costs and expenses of effecting the above sale; (b) pay the costs of the June Proceedings; (c) pay the outstanding indebtedness owed to Wing Lung Bank Limited as secured by a mortgage and a second legal charge over the Second Property and the Third Property; (d) pay the Judgment Debt (together with interest) owed to EDS under the Summary Judgment; and (e) pay the balance (if any) to Mr. Shum or into the Court or as the Court shall direct;

(6) further or alternative to paragraphs (1), (2) and (3) above, a receiver be appointed to receive Mr. Shum's share of any rents, income and/or profits arising from the Properties;

(7) such further and/or other directions as the Court shall deem fit; and

(8) the costs of the June Proceedings to EDS.

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

4. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 30 September 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the EDS Group had total borrowings of HK$13,096,000, representing:

(a) a loan of HK$9,985,000 granted to EDS by Pure Profit Holdings Limited, the lender of the loan which is a company incorporated in Hong Kong with limited liability and an independent third party, which is interest bearing at 10.00% per annum, unsecured and maturing on 10 June 2016;

(b) a loan of HK$3,098,000 advanced by Koffman Investment Limited, a company which is owned as to 50% by Mr. Yu Zhen Hua, Johnny (the former chairman of the board of directors of EDS and a former director of EDS), which is interest bearing at 5.00% per annum, unsecured and maturing on 31 December 2015; and

(c) the obligations under finance leases of HK$13,000, which are non-interest bearing and secured by the EDS Group's title to the leased assets.

Contingent Liabilities

As at 30 September 2015, the EDS Group had the following material contingent liabilities:

(a) On 23 January 2015, EDS received a writ of summons in respect of HCA No. 200 of 2015 issued by Mr. Shum as plaintiff against EDS as defendant for the following claims:

   (i) the Summary Judgment entered against Mr. Shum be set aside;

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

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

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

(v) costs; and

(vi) further or other relief.

(b) On 30 March 2015, EDS received a statement of claim in the High Court of Hong Kong filed by Mr. Shum in relation to the HCA No. 200 of 2015 to claim against EDS for: (i) the Summary Judgment be set aside; (ii) the loss and damages suffered by Mr. Shum as a result of the Summary Judgment against him; (iii) an order for discovery upon oath of all matters relating to the Summary Judgment; (iv) an order for payment of all sums found due to Mr. Shum together with interest thereon; and (v) costs. On 14 May 2015, EDS filed a defence to refute the statement of claim in that action on the basis, among others: that (i) Mr. Shum was bound by the Summary Judgment; and (ii) EDS denied the allegations raised against EDS by Mr. Shum in the statement of claim.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, as at 30 September 2015, the EDS Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other contingent liabilities.

Save as aforesaid, the EDS Directors confirmed that there had been no material change to the indebtedness and contingent liabilities of the EDS Group since 30 September 2015 and up to the Latest Practicable Date.

1. RESPONSIBILITY STATEMENTS

The sole director of Xing Hang accepts full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to EDS and parties acting in concert with it) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by EDS and parties acting in concert with it) have been arrived at after due and careful consideration, and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

The EDS Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to Xing Hang and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by Xing Hang and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of EDS as at the Latest Practicable Date were as follows:

Authorised		**Nominal value**
		HK$
4,950,000,000	*Ordinary EDS Shares*	495,000,000
50,000,000	*Preferred Shares*	5,000,000
		500,000,000
Issued		
419,803,000	*Ordinary EDS Shares*	41,980,300
30,000,000	*Preferred Shares*	3,000,000
		44,980,300

As at the Latest Practicable Date, EDS had 419,803,000 Ordinary EDS Shares and 30,000,000 Preferred Shares in issue.

Save for the 30,000,000 Preferred Shares in issue, EDS did not have any outstanding options, warrants or derivatives or convertible securities or rights affecting the Ordinary EDS Shares as at the Latest Practicable Date.

All Ordinary EDS Shares in issue rank pari passu in all respects with each other including rights to dividends, voting and return of capital. The Preferred Shares shall rank pari passu in all respects for return of capital on liquidation, winding up or dissolution of EDS and participation in the distribution of surplus assets of EDS with all other shares in the capital of EDS for the time being in issue. None of the Preferred Shares shall confer on the holders thereof the right to receive out of the funds of EDS available for distribution. The holders of the Preferred Shares will not be entitled to attend or vote at any general meeting of EDS by reason only of his/her/its being the holder(s) of the Preferred Shares, unless a resolution is to be proposed at a general meeting for winding up EDS or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the holder(s) of the Preferred Shares, in which event the Preferred Shares shall confer on the holder(s) thereof the right to receive notice of, and to attend and vote at, such general meeting, save that such holder(s) may not vote on any business dealt with at such general meeting except the election of a chairman, any motion for adjournment or relating to the proceedings of the general meeting and the resolution for winding-up or the resolution which if passed would (subject to any consents required for such purpose being obtained) vary or abrogate the rights and privileges of the holder(s) of the Preferred Shares. In such event, the votes of holder(s) of Preferred Shares will be counted on an as-converted basis. Subject to the minimum public float requirement under the GEM Listing Rules being met, the Preferred Shares shall be convertible into Ordinary EDS Shares by holder(s) of the Preferred Shares serving a notice of conversion to EDS on any Business Day within three years from the Completion Date without the payment of any additional consideration therefor into such number of fully-paid Ordinary EDS Shares at the conversion rate of the subscription price of HK$0.4 per Preferred Share divided by the conversion price of HK$0.4 (subject to customary adjustment for, among other matters, consolidation or sub-division of Ordinary EDS Shares and capitalization of profits or reserves) for each Preferred Share.

Save for the Subscription Shares, EDS has not issued any Ordinary EDS Shares or Preferred Shares since 31 December 2014, the date to which the latest published audited consolidated financial statements of the EDS Group were made up, up to the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

Interests of the EDS Directors

As at the Latest Practicable Date, none of the EDS Directors had any interests in the Ordinary EDS Shares, the Preferred Shares, underlying shares, debenture or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Codes) of EDS.

Interests of Xing Hang and parties acting in concert with it

As at the Latest Practicable Date, details of interests in the Ordinary EDS Shares, the Preferred Shares, underlying Ordinary EDS Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of EDS held or controlled by Xing Hang and parties acting in concert with it are as follows:

Name of offeror/parties acting in concert with it	Capacity	Number of Ordinary EDS Shares or underlying Ordinary EDS Shares	Approximate %
Eternity *(Note 1)*	Interest of controlled corporation	52,500,000 (L)	12.51%
	Interest of the other parties to an agreement under section 317 of the SFO	375,000,096 (L)	89.33%
Xing Hang *(Note 2)*	Beneficial owner	179,921,200 (L) 179,921,200 (S) *(Note 10)*	42.86% 42.86%
	Interest of the other parties to an agreement under section 317 of the SFO	247,578,096 (L)	58.97%
Goldenland *(Note 3)*	Beneficial owner	45,396,178 (L)	10.81%
	Interest of the other parties to an agreement under section 317 of the SFO	382,103,918 (L)	91.02%

Name of offeror/parties acting in concert with it	Capacity	Number of Ordinary EDS Shares or underlying Ordinary EDS Shares	Approximate %
Silver Empire *(Note 4)*	Beneficial owner	37,861,665 (L)	9.02%
	Interest of the other parties to an agreement under section 317 of the SFO	389,638,431 (L)	92.81%
Truly Elite *(Note 5)*	Beneficial owner	41,628,921 (L)	9.92%
	Interest of the other parties to an agreement under section 317 of the SFO	385,871,175 (L)	91.92%
High Aim *(Note 6)*	Beneficial owner	56,697,946 (L)	13.51%
	Interest of the other parties to an agreement under section 317 of the SFO	370,802,150 (L)	88.33%
First Bonus *(Note 7)*	Beneficial owner	13,494,090 (L)	3.21%
	Interest of the other parties to an agreement under section 317 of the SFO	414,006,006 (L)	98.62%
Kingston Securities *(Note 8)*	Beneficial owner	96 (L)	0.00%
	Interest of the other parties to an agreement under section 317 of the SFO	397,500,000 (L)	94.69%
Success Far	Person having a security interest in shares	179,921,200 (L) *(Note 10)*	42.86%

Notes:

1. Eternity is a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange. Eternity is a substantial shareholder (as defined under the GEM Listing Rules) of EDS. It is regarded as a party acting in concert with the Subscribers in view of the undertakings given by Eternity to Xing Hang and the undertakings given by the Subscribers to Eternity as further detailed in the section headed "Letter from Kingston Securities — Lock-up Undertakings in relation to the Subscription Shares" and the section headed "Letter from Kingston Securities — Undertakings in relation to the Offer" in this Composite Document. As at the Latest Practicable Date, New Cove was interested in 52,500,000 Ordinary EDS Shares. As New Cove is an indirect wholly-owned subsidiary of Eternity, Eternity is deemed to be interested in such 52,500,000 Ordinary EDS Shares.

2. Xing Hang is ultimately owned as to 82.5% by Mr. Cai Zhaoyang, 7.5% by Mr. Lin Fan, 3.75% by Ms. Xu Yaping, 3.75% by Mr. Guo Pengcheng and 2.5% by Mr. Chen Jie.

3. Goldenland is ultimately owned as to 50% by Mr. Liu Jin and 50% by Ms. Xue Siman. Goldenland is a party acting in concert with Xing Hang.

4. Silver Empire is wholly owned by Genius Earn Limited which is ultimately wholly owned by Mr. Liu Xiao Lin. Silver Empire is a party acting in concert with Xing Hang.

5. Truly Elite is ultimately wholly-owned by Mr. Yeung Heung Yeung. Truly Elite is a party acting in concert with Xing Hang.

6. High Aim is ultimately wholly-owned by Mr. Ko Chun Shun, Johnson. High Aim is a party acting in concert with Xing Hang.

   High Aim is interested in 26,697,946 Ordinary EDS Shares and 30,000,000 Preferred Shares.

7. First Bonus is a wholly-owned subsidiary of Reorient Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by REORIENT Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange. Mr. Ko Chun Shun, Johnson is an executive director of REORIENT Group Limited. First Bonus is a party acting in concert with Xing Hang.

8. Kingston Securities is a party acting in concert with Xing Hang.

9. The letter "L" denotes a long position whilst the letter "S" denotes a short position.

10. Pursuant to the Term Loan Agreement, a deed of charge and assignment in relation to 179,921,200 Ordinary EDS Shares had been executed by Xing Hang (as charger) in favour of Success Far (as chargee, pursuant to which 179,921,200 Ordinary EDS Shares have been charged by Xing Hang to Success Far as security under the Term Loan Agreement).

4. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

As at the Latest Practicable Date:

(a) save as disclosed in the section headed "Disclosure of Interests — Interests of Xing Hang and parties acting in concert with it" in this Appendix III and other than the Subscription Shares, the sole director of Xing Hang, Mr. Cai Zhaoyang, had no interests in any shares, convertible securities, warrants, options of EDS or any derivatives in respect of such securities, or had dealt for value in any shares, convertible securities, warrants, options of EDS or any derivatives in respect of such securities during the Relevant Period;

(b) save as disclosed in the section headed "Dealing in EDS's Securities" in the letter from Kingston Securities and the section headed "Disclosure of Interests — Interests of the Xing Hang and parties acting in concert with it" in this Appendix III, none of Xing Hang or any persons acting in concert with it owned or controlled any shares, convertible securities, warrants, options of EDS or any derivatives in respect of such securities or had dealt for value in any shares, convertible securities, warrants, options of EDS or any derivatives in respect of such securities during the Relevant Period;

(c) save for the Term Loan Agreement and the Deed of Charge and Assignment, there was not any agreement, arrangement or understanding to transfer, charge or pledge any of the Ordinary EDS Shares acquired in pursuance with the Offer to any other persons;

(d) save for the Offer Non-Acceptance Undertaking, no person had irrevocably committed himself to accept or reject the Offer;

(e) save for the Subscription Agreement, the Xing Hang's Lock-Up Undertaking, the Subscribers' Lock-Up Undertaking, the Offer Non-Acceptance Undertaking, the Term Loan Agreement and the Deed of Charge and Assignment, none of Xing Hang or any party acting in concert with it had entered into any arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons in relation to the Ordinary EDS Shares during the Relevant Period;

(f) none of Xing Hang or any party acting in concert with it had borrowed or lent any Ordinary EDS Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in EDS during the Relevant Period;

(g) save for the Offer Non-Acceptance Undertaking, the Term Loan Agreement, the Deed of Charge and Assignment, the High Aim Loan Agreement and the guarantee dated 17 February 2015 entered into by Mr. Cai Zhaoyang in favour of High Aim in respect of Xing Hang's obligation under the High Aim Loan Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) existing between Xing Hang or any party acting in concert with it and any EDS Directors, recent EDS Directors, EDS Shareholders or recent EDS Shareholders having any connection with or was dependent upon the Offer;

(h) there was no agreement or arrangement to which Xing Hang or any party acting in concert with it is a party which relates to circumstances in which Xing Hang may or may not seek to invoke a pre-condition or a condition to the Offer;

(i) EDS did not have any interest in the shares, convertible securities, warrants, options of Xing Hang or any derivatives in respect of such securities, and EDS had not dealt for value in any shares, convertible securities, warrants, options of Xing Hang or any derivatives in respect of such securities during the Relevant Period.

None of the EDS Directors had any interest in the shares, convertible securities, warrants, options of Xing Hang or EDS and had dealt for value in any shares, convertible securities, warrants, options of Xing Hang or EDS or any derivatives in respect of such securities during the Relevant Period.

(j) save for (a) 13,494,090 Ordinary EDS Shares held by First Bonus, (b) 26,697,946 Ordinary EDS Shares and 30,000,000 Preferred Shares held by High Aim and (c) the Subscription Shares, none of (i) the subsidiaries of EDS; (ii) the pension funds of EDS or of a subsidiary of EDS; or (iii) any advisers to EDS (as specified in class (2) of the definition of "associate" under the Takeovers Code) had any interests in the Ordinary EDS Shares, convertible securities, warrants, options of EDS or any derivatives in respect of such securities, and none of them had dealt in any Ordinary EDS Shares, convertible securities, warrants, options of EDS or any derivatives in respect of such securities during the Offer Period and up to the Latest Practicable Date;

(k) save for the parties to the Offer Non-Acceptance Undertaking, Xing Hang's Lock-Up Undertaking, the Subscribers' Lock-Up Undertaking, the Term Loan Agreement and the Deed of Charge and Assignment (consisting of Xing Hang, Goldenland, Silver Empire, Truly Elite, High Aim, First Bonus, Success Far and Eternity), no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with EDS or with any person who is an associate of EDS by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code. The respective shareholdings of Xing Hang, Goldenland, Silver Empire, Truly Elite, High Aim, First Bonus and Eternity as at the Latest Practicable Date are set out in the section headed "Disclosure of interests — interests of Xing Hang and parties acting in concert with it" in this Appendix III. Other than the aforesaid interests, Success Far did not hold any interest in the shares, convertible securities, warrants, options of EDS as at the Latest Practicable Date. Save for the Subscription and save as disclosed in the section headed "Dealing in EDS's Securities" in the letter from Kingston Securities in this Composite Document, none of Xing Hang, Goldenland, Silver Empire, Truly Elite, High Aim, First Bonus, Success Far and Eternity had dealt for value in any shares, convertible securities, warrants, options of Xing Hang or EDS or any derivatives in respect of such securities during the Offer Period and up to the Latest Practicable Date;

(l) no shares, convertible securities, warrants, options of EDS or any derivatives in respect of such securities were managed on a discretionary basis by any fund managers connected with EDS and none of them had dealt in any shares, convertible securities, warrants, options or derivatives of EDS during the Offer Period and up to the Latest Practicable Date;

(m) no shares, convertible securities, warrants, options of EDS or any derivatives in respect of such securities had been borrowed or lent by any of the EDS Directors or by EDS;

(n) save for the Offer Non-Acceptance Undertaking, Xing Hang's Lock-Up Undertaking, the Subscribers' Lock-Up Undertaking, the Term Loan Agreement and the Deed of Charge and Assignment, there were no arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which exist between EDS or with any person who is an associate of EDS by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code;

(o) no benefit (other than statutory compensation, if applicable) was or will be given to any of the EDS Directors as compensation for loss of office in any members of the EDS Group or otherwise in connection with the Offer;

(p) there was no agreement or arrangement between any of the EDS Directors and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer;

(q) there was no material contract entered into by Xing Hang in which any of the EDS Directors has a material personal interest; and

(r) none of the EDS Directors held any beneficial shareholdings in EDS which would otherwise entitle them to accept or reject the Offer.

5. MARKET PRICES

The table below sets out the closing prices of Ordinary EDS Shares on the Stock Exchange on (i) the last Business Day of each of the calendar months during the Relevant Period; (ii) the Last Full Trading Day; (iii) the Last Trading Day; and (iv) the Latest Practicable Date:

	Closing price of Ordinary EDS Shares *(HK$)*
31 July 2014	3.10
29 August 2014	4.12
30 September 2014	3.95
31 October 2014	3.39
28 November 2014	2.65
31 December 2014	2.35
30 January 2015	5.43
13 February 2015 (being the Last Full Trading Day)	4.90
16 February 2015 (being the Last Trading Day)	6.20
27 February 2015	N/A[Note]
31 March 2015	N/A[Note]
30 April 2015	9.00
29 May 2015	12.00
30 June 2015	10.20
31 July 2015	8.50
31 August 2015	5.50
30 September 2015	5.50
30 October 2015	6.30
18 November 2015 (being the Latest Practicable Date)	7.50

Note: Not applicable as trading of the Ordinary EDS Shares was halted.

During the Relevant Period, the highest closing price of Ordinary EDS Shares as quoted on the Stock Exchange was HK$15.00 per Ordinary EDS Share on 2 June 2015 and the lowest closing price of Ordinary EDS Shares as quoted on the Stock Exchange was HK$2.09 per Ordinary EDS Share on 6 January 2015, 7 January 2015 and 8 January 2015.

6. LITIGATION

As at the Latest Practicable Date, apart from the following, none of the members of EDS Group was engaged in any litigation or arbitration of material importance and there was no litigation or arbitration of material importance known to the EDS Directors to be pending or threatened by or against any members of EDS Group. Certain terms in this section are defined again for ease of reference.

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

(1) the Judgment in High Court Action No. 1775 of 2012 dated 6 September 2013 (the "**Summary Judgment**"), pursuant to which the Court of First Instance of the High Court of Hong Kong (the "**Court**") adjudged that Mr. Shum (1) shall pay EDS the sum of HK$39,128,000 together with contractual interest thereon calculated from day to day at the rate of 30% per annum from 1 May 2013 to 6 September 2013, and thereafter at judgment rate pursuant to section 48 of the High Court Ordinance (Chapter 4 of the Laws of Hong Kong) (the "**High Court Ordinance**") until payment (the "**Judgment Debt**"); and (2) shall pay EDS the costs of the action including the costs of and occasioned by EDS's application for the Summary Judgment to be taxed if not agreed, entered against Mr. Shum be set aside;

(2) loss and damages suffered by Mr. Shum as a result of the Summary Judgment being obtained against him;

(3) an order for discovery upon oath of all matters relating to the Summary Judgment;

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

(5) cost; and

(6) further or other relief.

On 30 March 2015, EDS received a statement of claim in the High Court of Hong Kong filed by Mr. Shum in relation to the High Court Action No. 200 of 2015 to claim against EDS for: (i) the Summary Judgment be set aside; (ii) the loss and damages suffered by Mr. Shum as a result of the Summary Judgment against him; (iii) an order for discovery upon oath of all matters relating to the Summary Judgment; (iv) an order for payment of all sums found due to Mr. Shum together with interest thereon; and (v) costs. On 14 May 2015, EDS filed a defence to refute the statement of claim in that action on the basis, among others: that (i) Mr. Shum was bound by the Summary Judgment; and (ii) EDS denied the allegations raised against EDS by Mr. Shum in the statement of claim.

(b) On 19 May 2015, the EDS Board announced that EDS commenced legal proceedings (the "**May Proceedings**") in the Court against Mr. Shum as the 1st Defendant, E In International Group Limited as the 2nd Defendant, E In Properties Limited as the 3rd Defendant and Grand Fill Enterprise Limited as the 4th Defendant for, amongst others, the following reliefs to recover the Judgment Debt under the Summary Judgment:

(1) Mr. Shum's interest in all the shares or shareholdings in the 2nd Defendant, 3rd Defendant and 4th Defendant (the "**Shares**") which have been charged in favour of EDS be sold without further reference to the Court by way of tender or public auction at the best price reasonably obtainable;

(2) the solicitors for EDS shall have the conduct of the sale of the Shares by appointing an agent, to sell the Shares by way of tender or public action;

(3) the execution of the requisite deeds or documents to effect the sale stated in paragraphs (1) and (2) above by Mr. Shum or by the Registrar of the Court;

(4) EDS shall apply the sale proceeds from the sale of the Shares to (a) pay the costs and expenses of effecting the above sale; (b) pay the costs of the May Proceedings; (c) pay the Judgment Debt (together with interest) under the Summary Judgment; and (d) pay the balance (if any) to Mr. Shum or into the Court or as the Court shall direct;

(5) further or alternative to paragraphs (1), (2) and (3) above, a receiver be appointed to (a) receive Mr. Shum's profits, income, benefits, interest and/or assets deriving and/or arising from the Shares; and/or (b) to take over and/or realize the Shares for the purpose of defraying the Judgment Debt (together with interest) under the Summary Judgment; and

(6) the costs of the May Proceedings to EDS.

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

During the hearing of the 23 September 2015 (the "**23 September 2015 Hearing**"), EDS agreed to withhold the enforcement of the Summary Judgment pending the resolution of the HCA No. 200 of 2015 in which a writ of summons was issued by Mr. Shum as the plaintiff against EDS as the defendant for, inter alia, setting aside the Summary Judgment, on the condition that Mr. Shum shall pay the judgment sum together with interest accrued under the Summary Judgment into Court. It was therefore ordered by the Court (the "**23 September 2015 Order**") that unless either:

(1) Mr. Shum was able to provide a guarantee to secure the judgment sum of HK$47,767,709.60, being the outstanding indebtedness (inclusive of interest) up to 8 June 2015 under the Summary Judgment (the "**Judgment Sum**"), which was agreed by EDS in writing or approved by the Court; or

(2) alternatively, Mr. Shum paid the Judgment Sum into Court,

within a period of 28 days from the date of the 23 September 2015 Order, the order by the Court for the appointment of receivers by way of equitable execution over (a) all the Shares; and (b) all Mr. Shum's interests benefits and/or rights in the Properties (as defined in paragraph (c)(1) below) would take effect.

On 19 October 2015, EDS was served with a summons taken out by Mr. Shum seeking for an extension of time of 14 days from the date of the 23 September 2015 Order. At the hearing on 20 October 2015, it was ordered by the Court that the period of 28 days from the date of the 23 September 2015 Order be extended for 14 days to 5 November 2015.

On 2 November 2015, it was ordered by the Court that the draft bank guarantee provided by Mr. Shum for the purpose of securing the Judgment Sum was not approved.

On 5 November 2015, EDS received a notice from Mr. Shum's solicitors that Mr. Shum had paid HK$47,767,709.60 into the Court in compliance with the 23 September 2015 Order. Under the 23 September 2015 Order, upon the payment into the Court by Mr. Shum, the order for the appointment of receivers as mentioned above shall be forthwith discharged.

(c) On 9 June 2015, the EDS Board announced that EDS commenced legal proceedings (the "**June Proceedings**") in the Court against Mr. Shum as the 1st Defendant, Wing Lung Bank Limited as the 2nd Defendant and Hang Seng Bank Limited as the 3rd Defendant for, amongst others, the following reliefs to recover the Judgment Debt under the Summary Judgment:

(1) Mr. Shum's interest in the properties and/or lands situate at (i) House 4, The Baroque, Nos.1-7 Kau To Shan Road, Shatin, New Territories (the "**First Property**"); (ii) Ground Floor, No. 1 Kau To Path, Lot No. 838 in DD171, Shatin, New Territories (the "**Second Property**"); and (iii) Ground Floor, No. 1 Kau To Path, Lot No. 839 in DD171, Shatin, New Territories (the "**Third Property**") (collectively as the "**Properties**") which have been charged in favour of EDS be sold without further reference to the Court by way of tender or public auction at the best price reasonably obtainable;

(2) the solicitors for EDS shall have the conduct of the sale of the Properties by appointing an agent, to sell the Properties by way of tender or public auction;

(3) the execution of the requisite deeds or documents to effect the sale stated in paragraphs (1) and (2) above by Mr. Shum or by the Registrar of the Court;

(4) EDS shall apply the sale proceeds from the sale of the First Property to (a) pay the costs and expenses of effecting the above sale; (b) pay the costs of the June Proceedings; (c) pay the outstanding indebtedness owed to Hang Seng Bank Limited as secured by a mortgage over the First Property; (d) pay the Judgment Debt (together with interest) owed to EDS under the Summary Judgment; and (e) pay the balance (if any) to Mr. Shum or into the Court or as the Court shall direct;

(5) EDS shall apply the sale proceeds from the sale of the Second Property and Third Property to (a) pay the costs and expenses of effecting the above sale; (b) pay the costs of the June Proceedings; (c) pay the outstanding indebtedness owed to Wing Lung Bank Limited as secured by a mortgage and a second legal charge over the Second Property and the Third Property; (d) pay the Judgment Debt (together with interest) owed to EDS under the Summary Judgment; and (e) pay the balance (if any) to Mr. Shum or into the Court or as the Court shall direct;

(6) further or alternative to paragraphs (1), (2) and (3) above, a receiver be appointed to receive Mr. Shum's share of any rents, income and/or profits arising from the Properties;

(7) such further and/or other directions as the Court shall deem fit; and

(8) the costs of the June Proceedings to EDS.

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

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by EDS or any of its subsidiaries) had been entered into by EDS or any of its subsidiaries within two years preceding the commencement of the Offer Period and ending on the Latest Practicable Date, which are or may be material in relation to the business of the EDS Group as a whole:

— the Subscription Agreement (as amended and supplemented by the Supplemented Agreements);

— the Master Supply Agreement;

— the placing agreement dated 15 August 2014 entered into between EDS and Kingston Securities in relation to the placing of up to 2,620,000 new Ordinary EDS Shares at the price of HK$3.15 per Ordinary EDS Share under general mandate;

— the underwriting agreement dated 25 June 2014 entered into among EDS, Kingston Securities and New Cove in relation to the Open Offer; and

— the sale and purchase agreement entered into between EDS International Holdings Limited (the "**Purchaser**", being a direct wholly owned subsidiary of EDS) and Ms. Chan Suk Yee Deon ("**Ms. Chan**") and Mr. Lai Wing Nok ("**Mr. Lai**") on 18 October 2013 pursuant to which the Purchaser conditionally agreed to acquire, and the Ms. Chan and Mr. Lai conditionally agreed to sell, the 51% equity interest in China Honest Enterprises Limited (the "**Target Company**") and the amount owning as at the completion date by the Target Company to Ms. Chan and Mr. Lai at the maximum consideration of HK$21,420,000.

Save as disclosed above, as at the Latest Practicable Date, no contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the EDS Group) had been entered into by any members of the EDS Group within two years before the commencement of the Offer Period and ending on the Latest Practicable Date and are or may be material to the EDS Group as a whole.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts contained in this Composite Document:

Name	Qualifications
Kingston Securities	a company incorporated in Hong Kong with limited liability and a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO
Kingston Corporate Finance	a company incorporated in Hong Kong with limited liability and a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Investec	a company incorporated in Hong Kong with limited liability and a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and/or report and the references to its name in the form and context in which they appear herein.

Save for the 96 Ordinary EDS Shares held by Kingston Securities, as at the Latest Practicable Date, none of the above experts had any interest in any Ordinary EDS Shares or Preferred Shares or any shares in any member of the EDS Group and did not have any rights, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in EDS or any member of the EDS Group.

9. EDS DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the EDS Directors had entered into any service contracts with EDS or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) have been entered into or amended during the Relevant Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed-term contracts with more than 12 months to run irrespective of the notice period.

None of the EDS Directors had entered into any service contract or had an unexpired service contract with EDS which is not determinable by EDS within one year without payment of compensation (other than statutory compensation) as at the Latest Practicable Date.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of EDS (www.eds-wellness.com); (ii) on the website of the SFC (www.sfc.hk) and; (iii) at the principal office of EDS at Unit 3811, 38/F, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. from the date of this Composite Document up to and including the Closing Date or the date on which the Offer lapse or are withdrawn (whichever is earlier) (except for Saturdays, Sundays and public holidays):

(a) the memorandum of continuance and bye-laws of EDS;

(b) the articles of association of Xing Hang;

(c) the annual reports of EDS for the two years ended 30 June 2013 and 2014;

(d) the annual report of EDS for the six months ended 31 December 2014;

(e) the third quarterly report of EDS for the nine months ended 30 September 2015;

(f) the letter from Kingston Securities, the text of which is set out on pages 10 to 23 of this Composite Document;

(g) the letter from the EDS Board, the text of which is set out on pages 24 to 32 of this Composite Document;

(h) the letter from Independent Board Committee to Independent EDS Shareholders, the text of which is set out on pages 33 and 34 of this Composite Document;

(i) the letter from Investec to Independent Board Committee, the text of which is set out on pages 35 to 58 of this Composite Document;

(j) the written consent from REORIENT Financial Markets Limited (the financial advisers to EDS) that it has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of and references to its name in the form and context in which it appears;

(k) the written consents referred to under the paragraph headed "Experts and Consents" in this Appendix III; and

(l) the material contracts referred to under the paragraph headed "Material Contracts" in this Appendix III.

11. MISCELLANEOUS

(a) The registered office of EDS is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is located at Unit 3811, 38/F, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong.

(b) The registered address of Xing Hang is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

(c) As at the Latest Practicable Date, the sole director of Xing Hang was Mr. Cai Zhaoyang. Xing Hang is an investment holding company incorporated in the British Virgin Islands with limited liability.

(d) The branch share registrar and transfer agent of EDS in Hong Kong is Tricor Secretaries Limited, which is located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The registered office of Kingston Corporate Finance is situated at Suite 2801, 28/F., One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

(f) The registered office of Kingston Securities is situated at Suite 2801, 28/F., One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

(g) Xing Hang is owned as to, 82.5% by Mr. Cai Zhaoyang, 7.5% by Mr. Lin Fan, 3.75% by Mr. Xu Yaping, 3.75% by Mr. Guo Pengcheng and 2.5% by Mr. Chen Jie. The correspondence address of Mr. Cai Zhaoyang, Mr. Lin Fan, Mr. Xu Yaping, Mr. Guo Pengcheng and Mr. Chen Jie are Building 1, Wisdomland, Business Park, Guankou, 2nd Road, Nantou, Nanshan District, Shenzhen 51802, the PRC.

(h) The principal members of the concert group comprising Xing Hang and parties acting in concert with it include Xing Hang, Goldenland, Silver Empire, Truly Elite, High Aim, First Bonus, Kingston Securities and Eternity. Details of the members of such concert group are as follows:

Name	**Address**	**Director(s)**	**Director's correspondence address**
Xing Hang	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Cai Zhaoyang	Building 1, Wisdomland Business Park, Guankou 2nd Road, Nantou, Nanshan District, Shenzhen 51802, the PRC
Goldenland	Akara Building, 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands	Liu Jin	Room 802A, South Tower, Heng Ke Building, No. 3 Suzhou Road, Haiding District, Beijing, the PRC
Silver Empire	3rd Floor, J&C Building, P.O. Box 933, Road Town, Tortola, British Virgin Islands	Liu Xiaolin	Units A-B, 16/F., China Overseas Building, No. 139 Hennessy Road, Wan Chai, Hong Kong
Truly Elite	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Yeung Heung Yeung	Suite 3901, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong
High Aim	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Ko Chun Shun Johnson	Suite 3901, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong

Name	Address	Director(s)	Director's correspondence address
First Bonus	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	Ho, Cecil Te-hwai	11/F , Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong
Kingston Securities	Suite 2801, 28/F., One International Finance Centre, 1 Harbour View Street, Central, Hong Kong	Chu Nicholas Yuk-yui, Chu Yuet Wah, Chan Yin Tong Cynthia, and Wong Hip Keung Jimmy	Suite 2801, 28/F., One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Eternity	Unit 3811, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong	Lei Hong Wai, Cheung Kwok Wai, Elton, Chan Kin Wah, Billy, Cheung Kwok Fan, Wan Shing Chi, Ng Heung Yan, and Wong Tak Chuen	Unit 3811, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong

(i) The registered office of REORIENT Financial Markets Limited, the financial adviser to EDS, is situated at Units 1102-03, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.

(j) The registered office of Investec is situated at 3609, 36/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

(k) The company secretary of EDS is Ms. So Man Yee. She is a member of Hong Kong Institute of Certified Public Accountants.

(l) The English text of this Composite Document and the accompanying Form of Share Acceptance shall prevail over their respective Chinese text in case of inconsistency.