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

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of EDS Wellness Holdings Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

INTERIM RESULTS

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2013 together with the comparative audited figures for the corresponding period in 2012 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 31 December 2013

		For the three months ended 31 December		For the six months ended 31 December	
		2013	2012	2013	2012
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Notes	HK'000	HK'000	HK'000	HK'000
Turnover	5	5,016	865	8,502	4,394
Cost of sales		(2,957)	(2,282)	(5,418)	(6,779)
Gross profit/(loss)		2,059	(1,417)	3,084	(2,385)
Other revenue and income		804	—	3,432	2
Advertising and promotion expenses		(376)	(596)	(649)	(649)
Administrative expenses		(2,917)	(4,937)	(5,094)	(8,891)
Impairment loss recognised in respect of deposits, prepayments and other receivables		—	(90)	—	(90)
Finance costs	6	(1,544)	(872)	(2,912)	(1,545)
Loss before tax	7	(1,974)	(7,912)	(2,139)	(13,558)
Income tax expense	8	—	—	—	—
Loss for the period		(1,974)	(7,912)	(2,139)	(13,558)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		4	—	7	—
Other comprehensive income for the period		4	—	7	—
Total comprehensive expenses for the period		(1,970)	(7,912)	(2,132)	(13,558)
Loss for the period attributable to:					
Owners of the Company		(1,974)	(7,912)	(2,139)	(13,558)
Total comprehensive expenses for the period attributable to:					
Owners of the Company		(1,970)	(7,912)	(2,132)	(13,558)
Loss per share (HK cent(s))	10				
Basic and diluted		(0.15)	(0.60)	(0.16)	(1.03)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

		At 31 December 2013 (Unaudited) HK\$'000	At 30 June 2013 (Audited) HK\$'000
	Notes		
Non-current assets			
Intangible asset		—	—
Property, plant and equipment	11	8,538	8,301
		<u>8,538</u>	<u>8,301</u>
Current assets			
Inventories	12	2,717	1,137
Trade receivables	13	967	646
Deposits, prepayments and other receivables	14	47,944	41,932
Bank balances and cash	15	1,722	1,815
		<u>53,350</u>	<u>45,530</u>
Current liabilities			
Amount due to a former director	16	64	64
Trade payables		7	—
Deposits from customers	17	169	455
Deferred revenue	18	394	—
Accruals and other payables	19	8,745	8,831
Obligation under financial leases		38	43
Other borrowing	20	52,580	42,400
		<u>61,997</u>	<u>51,793</u>
Net current liabilities		<u>(8,647)</u>	<u>(6,263)</u>
Total assets less current liabilities		<u>(109)</u>	<u>2,038</u>
Non-current liability			
Obligation under financial leases		109	124
Net (liabilities)/assets		<u>(218)</u>	<u>1,914</u>
Equity attributable to owners of the Company			
Share capital	21	131,220	131,220
Reserves		(131,438)	(129,306)
Total equity		<u>(218)</u>	<u>1,914</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2013

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i> <i>(Note 1)</i>	Translation reserve <i>HK\$'000</i> <i>(Note 2)</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 July 2012 (audited)	131,220	175,357	22,734	—	(303,838)	25,473
Loss for the period	—	—	—	—	(13,558)	(13,558)
Total comprehensive expenses for the period	—	—	—	—	(13,558)	(13,558)
At 31 December 2012 (audited)	<u>131,220</u>	<u>175,357</u>	<u>22,734</u>	<u>—</u>	<u>(317,396)</u>	<u>(11,915)</u>
At 1 July 2013 (audited)	131,220	175,357	22,734	9	(327,406)	1,914
Loss for the period	—	—	—	—	(2,139)	(2,139)
Other comprehensive income for the period						
Exchange differences arising on translation of foreign operations	—	—	—	7	—	7
Total comprehensive expenses for the period	—	—	—	7	(2,139)	(2,132)
At 31 December 2013 (unaudited)	<u>131,220</u>	<u>175,357</u>	<u>22,734</u>	<u>16</u>	<u>(329,545)</u>	<u>(218)</u>

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 31 December	
	2013 (Unaudited) <i>HK\$'000</i>	2012 (Audited) <i>HK\$'000</i>
Net cash used in operating activities	(6,922)	(7,285)
Net cash used in investing activities	(3,336)	(4,489)
Net cash generated from financing activities	<u>10,158</u>	<u>11,767</u>
Net decrease in cash and cash equivalents	(100)	(7)
Cash and cash equivalents at beginning of the period	1,815	308
Effect of foreign exchange rate changes	<u>7</u>	<u>—</u>
Cash and cash equivalents at the end of period	<u><u>1,722</u></u>	<u><u>301</u></u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<u><u>1,722</u></u>	<u><u>301</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Stock Exchange. The addresses of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company in Hong Kong is 19/F., Prosperity Tower, 39 Queen's Road Central, Hong Kong.

The unaudited condensed consolidated interim 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's principal activity is investment holding and the principal activities of its principal subsidiaries are developing, distributing and marketing of personal care treatment, products and services.

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

The accounting policies used in the unaudited condensed consolidated interim financial statements for the six months ended 31 December 2013 are consistent with those used in the annual financial statements of the Group for the year ended 30 June 2013, except for the impact of the adoption of the new and revised Hong Kong Accounting Standard ("HKASs"), Hong Kong Financial Reporting Standards and interpretations described below.

In the current period, the Group has applied, for the first time, new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 July 2013.

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

The adoption of the new and revised HKFRSs has no material effect on the unaudited condensed consolidated financial statements for the current or prior accounting period.

3. BASIS OF PREPARATION OF THE UNAUDITED CONDENSED CONSOLIDATION FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong except for the non-consolidation of certain subsidiaries of the Group as explained below. In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the GEM Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance.

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

The preparation of the unaudited condensed consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in annual financial statements for the year ended 30 June 2013.

All significant intercompany transactions, balances and unrealised gain in transaction within the Group have been eliminated on consolidation.

Certain comparative figures have been reclassified to conform with current period's presentation.

Going concern basis

These unaudited condensed consolidated financial statements have been prepared on a going concern basis notwithstanding that the Group incurred a loss of approximately HK\$2,139,000 for the six months ended 31 December 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 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 unaudited condensed consolidated financial statements have been prepared on a going concern basis. The validity of the going concern assumption on which the unaudited condensed 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\$43,987,000 to the unaudited condensed consolidated financial statements; (ii) the extension of repayment of loan facility of approximately HK\$52,580,000 granted by a company owned by an executive Director of which details 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, 30 August 2013, 17 October 2013 and 31 December 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, 30 October 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, 30 October 2013 and the Company's circular dated 23 May 2013 (the "Proposed Plans").

The unaudited condensed 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 unaudited condensed 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 unaudited condensed 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 unaudited condensed 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 unaudited condensed consolidated financial statements.

Subsidiaries not consolidated

The unaudited condensed 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 (collectively referred to as 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 since 1 July 2011.

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 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.

As set out in the Company’s announcement dated 9 April 2013, regarding the results 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 the unaudited condensed consolidated financial statements. As such, the results, assets and liabilities of the Unconsolidated Subsidiaries have not been included into the unaudited condensed consolidated financial statements of the Group for the six months ended 31 December 2013. At 31 December 2013, the amounts due from the Unconsolidated Subsidiaries to the Group of approximately HK\$241,346,000 of which accumulated impairment loss of approximately HK\$241,346,000 were recognised in the previous years. The Directors are of the view that the carrying amounts of these amounts were not recoverable.

In the opinion of the Directors, the unaudited condensed consolidated financial statements for the six months ended 31 December 2013 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 the 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 Hong Kong Accounting Standard 27 (Revised) “Consolidated and Separate Financial Statements”.

4. 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

For the six months ended 31 December 2013

OPERATING SEGMENT	Sales of beauty equipment HK\$'000 (Unaudited)	Sales of beauty products HK\$'000 (Unaudited)	Therapy services HK\$'000 (Unaudited)	Segment total HK\$'000 (Unaudited)
REVENUE				
Revenue from external customers	—	7,353	1,149	8,502
RESULTS				
Segment profit for reportable segment	<u>—</u>	<u>1,939</u>	<u>496</u>	2,435
Other revenue				3,432
Unallocated administrative expenses				(5,094)
Finance costs				<u>(2,912)</u>
Loss before tax				(2,139)
Income tax expense				<u>—</u>
Core loss for the period				(2,139)
MAJOR NON-CASH ITEMS				
— Impairment loss recognised in respect of deposits, prepayments and other receivables				<u>—</u>
				<u>(2,139)</u>

For the six months ended 31 December 2012

OPERATING SEGMENT	Sales of beauty equipment HK\$'000 (Audited)	Sales of beauty products HK\$'000 (Audited)	Therapy services HK\$'000 (Audited)	Segment total HK\$'000 (Audited)
REVENUE				
Revenue from external customers	<u>1,140</u>	<u>1,736</u>	<u>1,518</u>	<u>4,394</u>
RESULTS				
Segment profit (loss) for reportable segment	<u>72</u>	<u>(2,493)</u>	<u>(613)</u>	(3,034)
Other revenue				2
Unallocated administrative expenses				(8,891)
Finance costs				<u>(1,545)</u>
Loss before tax				(13,468)
Income tax expense				<u>—</u>
Core loss for the period				(13,468)
MAJOR NON-CASH ITEMS				
— Impairment loss recognised in respect of deposits, prepayments and other receivables				<u>(90)</u>
				<u>(13,558)</u>

Segment assets

For the six months ended 31 December 2013

OPERATING SEGMENT	Sales of beauty equipment HK\$'000 (Unaudited)	Sales of beauty products HK\$'000 (Unaudited)	Therapy services HK\$'000 (Unaudited)	Segment total HK\$'000 (Unaudited)
ASSETS				
Segment assets	—	3,512	1,242	4,754
Unallocated corporate assets				57,134
Consolidated total assets				61,888

For the six months ended 31 December 2012

OPERATING SEGMENT	Sales of beauty equipment HK\$'000 (Audited)	Sales of beauty products HK\$'000 (Audited)	Therapy services HK\$'000 (Audited)	Segment total HK\$'000 (Audited)
ASSETS				
Segment assets	—	856	2,068	2,924
Unallocated corporate assets				47,008
Consolidated total assets				49,932

Revenue reported above represents revenues generated from external customers. There were no inter-segment sales during the period ended 31 December 2013 (2012: Nil).

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

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

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

Geographical information

The Group mainly operated in Hong Kong after de-consolidation of the Unconsolidated Subsidiaries.

Information about major customer

No other single customer contributed 10% or more to the Group's revenue for the six months ended 31 December 2013 and 31 December 2012.

5. TURNOVER

	For the three months ended 31 December		For the six months ended 31 December	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	HK'000	HK\$'000	HK'000	HK\$'000
Sales of beauty equipment	—	—	—	1,140
Sales of beauty products	4,369	427	7,353	1,736
Therapy services	647	438	1,149	1,518
	<u>5,016</u>	<u>865</u>	<u>8,502</u>	<u>4,394</u>

6. FINANCE COSTS

	For the three months ended 31 December		For the six months ended 31 December	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	HK'000	HK\$'000	HK'000	HK\$'000
Interest expenses on other borrowing (<i>Note</i>)	1,542	866	2,908	1,532
Interest expenses on finance lease	2	6	4	13
	<u>1,544</u>	<u>872</u>	<u>2,912</u>	<u>1,545</u>

Note:

Interest expenses on other borrowing were interest expenses on the loan advanced by Koffman Investment Limited (“KIL”), in which Mr. Yu Zhen Hua Johnny, an executive Director, managing Director and the Chairman, is the ultimate beneficial owner, with a term of 3 months from 27 March 2012 at interest rate of 12% per annum. On 26 June 2012, 26 September 2012, 26 October 2012, 26 November 2012 and 31 December 2013, the Company has entered into sixteen supplementary loan agreements with KIL to extend the repayment date of the above loan from 27 June 2012 to 28 February 2014.

7. LOSS BEFORE TAX

	For the three months ended 31 December		For the six months ended 31 December	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	HK'000	HK\$'000	HK'000	HK\$'000
Loss for the period before tax has been arrived at after charging:				
Staff costs including directors' remunerations	(1,616)	(3,155)	(3,501)	(5,967)
Depreciation of property, plant and equipment	(505)	(384)	(1,096)	(632)
Impairment loss recognised in respect of deposits, prepayments and other receivables	—	(90)	—	(90)
Provision of inventories	—	(19)	—	(19)
Written off of inventories	(5)	—	(5)	—

8. INCOME TAX EXPENSE

- (i) No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong or the estimated assessable profit was wholly absorbed by tax losses brought forward for the six months ended 31 December 2013 (2012: Nil).
- (ii) No provision for overseas income tax was made as the Company's overseas subsidiaries did not have taxable income for the six months ended 31 December 2013 (2012: Nil).
- (iii) The Group had no significant unprovided deferred tax assets and liabilities at 31 December 2013 (2012: Nil).

9. DIVIDEND

The Directors did not recommend payment of interim dividend for the six months ended 31 December 2013 (2012: Nil).

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to owners of the Company for the three months ended 31 December 2013 of approximately HK\$1,974,000 (2012: loss attributable to owners of the Company of approximately HK\$7,912,000) and loss attributable to owners of the Company for the six months ended 31 December 2013 of approximately HK\$2,139,000 (2012: loss attributable to owners of the Company of approximately HK\$13,558,000) and the weighted average of 1,312,200,000 shares in issue during the three months and six months ended 31 December 2013 (2012: 1,312,200,000 shares).

11. PROPERTY, PLANT AND EQUIPMENT

	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 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 and 1 July 2013	961	6,464	1,804	160	9,389
Additions	—	878	461	—	1,339
Written off	—	—	(6)	—	(6)
At 31 December 2013	961	7,342	2,259	160	10,722
Accumulated depreciation and impairment					
At 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 and 1 July 2013	96	673	303	16	1,088
Charge for the period	96	762	223	16	1,097
Written off	—	—	(1)	—	(1)
At 31 December 2013	192	1,435	525	32	2,184
Carrying amounts					
At 31 December 2013 (Unaudited)	769	5,907	1,734	128	8,538
At 30 June 2013 (Audited)	865	5,791	1,501	144	8,301

Included in the carrying amounts of furniture, fixture and equipment and motor vehicle of approximately HK\$27,000 and HK\$128,000 respectively are the assets under finance leases.

12. INVENTORIES

	At 31 December 2013 (Unaudited) HK'000	At 30 June 2013 (Audited) HK\$'000
Finished goods	<u>2,717</u>	<u>1,137</u>

13. TRADE RECEIVABLES

	At 31 December 2013 (Unaudited) HK'000	At 30 June 2013 (Audited) HK\$'000
Trade receivables	<u>967</u>	<u>646</u>

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 date as follows:

	At 31 December 2013 (Unaudited) HK'000	At 30 June 2013 (Audited) HK\$'000
Aged:		
0–30 days	677	183
31–60 days	154	82
61–90 days	54	99
91–120 days	80	190
Over 120 days	<u>2</u>	<u>92</u>
	<u>967</u>	<u>646</u>

Trade receivables disclosed above include amounted approximately HK\$2,000 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.

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December 2013 (Unaudited) HK'000	At 30 June 2013 (Audited) HK\$'000
Deposits paid	3,469	3,930
Less: Written off as uncollectible	—	(2,500)
	<u>3,469</u>	<u>1,430</u>
Prepayments	381	271
Other receivables	44,094	45,231
Less: Written off as uncollectible	—	(5,000)
	<u>44,094</u>	<u>40,231</u>
Amounts due from the Unconsolidated Subsidiaries (<i>Note</i>)	241,346	241,847
Less: Impairment loss recognised	(241,346)	(241,346)
Less: Written off as uncollectible	—	(501)
	<u>—</u>	<u>—</u>
	<u><u>47,944</u></u>	<u><u>41,932</u></u>

Note:

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

15. BANK BALANCES AND CASH

	At 31 December 2013 (Unaudited) HK'000	At 30 June 2013 (Audited) HK\$'000
Cash at bank and on hand	1,219	1,314
Short-term bank deposits	503	501
	<u>1,722</u>	<u>1,815</u>

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK\$266,000 (At 30 June 2013: approximately HK\$309,000).

16. AMOUNT DUE TO A FORMER DIRECTOR

At 31 December 2013, the amount due to Ms. Chan Choi Har Ivy amounted to approximately HK\$64,000 (At 30 June 2013: approximately HK\$64,000) of the Group.

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.

17. DEPOSITS FROM CUSTOMERS

	At 31 December 2013 (Unaudited) HK'000	At 30 June 2013 (Audited) HK\$'000
Deposits from customers	<u>169</u>	<u>455</u>

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

18. DEFERRED REVENUE

	At 31 December 2013 (Unaudited) HK'000	At 30 June 2013 (Audited) HK\$'000
At the beginning of period	—	—
Sales contracts entered into during the period (<i>Note a</i>)	1,091	—
Revenue recognised upon the provision of services (<i>Note b</i>)	(697)	—
At the end of period	<u>394</u>	<u>—</u>

Notes:

- (a) The amounts represent receipts from sales of therapy services to clients during the period which were to be settled via credit cards, Electronic Payment System (“EPS”) and cash.
- (b) The amounts represent revenue recognised in profit or loss as a result of therapy services rendered to clients during the period.

19. ACCRUALS AND OTHER PAYABLES

	At 31 December 2013 (Unaudited) HK'000	At 30 June 2013 (Audited) HK\$'000
Accruals	7,418	4,321
Other payables	18	3,201
Amounts due to the Unconsolidated Subsidiaries (<i>Note</i>)	<u>1,309</u>	<u>1,309</u>
	<u>8,745</u>	<u>8,831</u>

Note:

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

20. OTHER BORROWING

	At 31 December 2013 (Unaudited) HK'000	At 30 June 2013 (Audited) HK\$'000
Balance at beginning of the period/year	42,400	19,586
Proceeds from borrowing	10,180	24,905
Loan interest for the period/year	2,908	3,705
Repayments of interest and borrowing	(2,908)	(5,796)
	<u>52,580</u>	<u>42,400</u>
Balance at end of the period/year	<u>52,580</u>	<u>42,400</u>

21. SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
At 1 July 2012, 30 June 2013, 1 July 2013 and 31 December 2013	<u>5,000,000,000</u>	<u>500,000</u>
Issued and full paid:		
At 1 July 2012, 30 June 2013, 1 July 2013 and 31 December 2013	<u>1,312,200,000</u>	<u>131,220</u>

22. OPERATING LEASE COMMITMENT

At the end of the reporting period, the Group was committed to make the following future minimum lease payments in respect of office premise and retail shops with lease terms under non-cancellable operating leases as follows:

	At 31 December 2013 (Unaudited) HK'000	At 30 June 2013 (Audited) HK\$'000
Within one year	1,997	3,345
In the second to fifth years, inclusive	520	760
Over five years	<u>—</u>	<u>—</u>
	<u>2,517</u>	<u>4,105</u>

23. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere to the unaudited condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period:

Name of parties	Nature of transactions	For the six months ended 31 December	
		2013	2012
		(Unaudited) HK\$'000	(Audited) HK\$'000

During the period, the Group entered into the following material transactions with related parties:

KIL (<i>Note 1</i>)	Interest on other borrowing	2,908	1,539
Koffman Corporate Service Limited ("KCSL") (<i>Note 1</i>)	Rental expenses	240	—
BSHK (<i>Note 2</i>)	Sales of beauty equipment	—	603

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

KIL (<i>Note 1</i>)	Other borrowing	<u>52,580</u>	<u>31,403</u>
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Notes:

- (1) Mr. Yu Zhen Hua Johnny, an executive Director, managing Director and the Chairman of the Company, is the ultimate beneficial owner of KIL and KCSL.
- (2) BSHK was de-consolidated on 1 July 2011. Details of which were set out in note 3 to the unaudited condensed consolidated interim financial statements.

Compensation for key management personnel

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

	For the six months ended 31 December	
	2013	2012
	(Unaudited) HK\$'000	(Audited) HK\$'000
Short-term employee benefits	548	684
Post employment benefits	<u>5</u>	<u>8</u>
	<u>553</u>	<u>692</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

At the request of the Company, trading in the shares of the Company has been suspended since 30 September 2011 due to the delay in publication of the Group's final results announcement for the year ended 30 June 2011.

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

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

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

transaction were set out in the Company's announcement dated 4 November 2013. As at the date of this announcement, the Company is in the process of preparing the circular in relation to the Proposed Acquisition.

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

Financial Review

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

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

CAPITAL STRUCTURE

At 31 December 2013, the total borrowings of the Group amounted to approximately HK\$52.6 million (30 June 2013: approximately HK\$42.4 million), representing the borrowing from KIL of which is unsecured, at an interest rate of 12% per annum and repayable within one year.

GEARING RATIO

The gearing ratio, expressed as percentage of total borrowings over total assets, was 85.0% (30 June 2013: 78.8%). The deterioration in gearing ratio was mainly attributed to the increase in borrowings during the period under review.

CHARGE ON THE GROUP'S ASSETS

At 31 December 2013, the Group had charged bank deposits of approximately HK\$0.5 million (30 June 2013: approximately HK\$0.5 million) in favour a bank for certain commercial services granted to a subsidiary of the Company.

FOREIGN EXCHANGE RISK

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

COMMITMENTS

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

CONTINGENT LIABILITIES

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

EMPLOYEES

At 31 December 2013, the Group had 27 employees. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the mandatory provident fund scheme.

SIGNIFICANT INVESTMENT

The Group did not enter into any new significant investment during the period ended 31 December 2013.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

Future Plans

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

EVENTS AFTER THE REPORTING PERIOD

- (a) On 7 February 2014, the Company received a letter from the Stock Exchange stated it allows trading resumption of the Company’s shares subject to satisfying the following conditions by 30 April 2014:
 - (a) completion of the Proposed Acquisition (the “**Proposed Acquisition**”) of China Honest Enterprises Limited (the “**Target Company**”) announced on 4 November 2013;
 - (b) inclusion in the shareholder circular:
 - (i) profit forecasts for the years ending 30 June 2014 and 2015 on the Group as enlarged by the Target Company together with reports from the Company’s auditors and financial adviser under paragraph 29(2) of Appendix 1B; and
 - (ii) a statement from the directors confirming working capital sufficiency for at least 12 months after resumption and a comfort letter from the auditors on the directors’ statement; and
 - (c) provision of a confirmation from an independent professional firm that the Company has adequate internal control systems.
- (b) On 13 February 2014, the Company and KIL have entered into a supplemental loan agreement (the “**Second Supplemental Agreement**”), pursuant to which and subject to the terms and conditions of the Second Loan Agreement, the Extension Agreements and the Supplemental Agreement, KIL has agreed to increase the amount of the loan facility available to the Company from HK\$60,000,000 to up to a principal amount of HK\$80,000,000 and the repayment date of all the outstanding borrowings for the Second Loan Agreement has been further extended from 28 February 2014 to 31 December 2014 (or such later date as KIL and the Company may agree in writing).

LITIGATION

As disclosed in the Company's announcement dated 5 April 2012, 4 July 2012, 24 July 2012, 3 August 2012, 21 August 2012, 28 September 2012, 26 October 2012, 1 November 2012, 21 December 2012, 29 January 2013, 25 April 2013 and 3 May 2013 respectively in relation to, among other matters, the deed of termination, entered into between Blu Spa (Hong Kong) Limited ("BSHK", a deconsolidated subsidiary) and Mr. Shum Yeung ("Mr. Shum") in relation to the termination of the acquisition of 70% equity interest of Vertical Signal Investments Limited, pursuant to which Mr. Shum shall repay BSHK the full amount of the refundable deposit of HK\$45,000,000, the issuing of the writ of summons (the "Writ") in the High Court of Hong Kong Special Administrative Region by BSHK against Mr. Shum, the subsequent execution of the deed of settlement (the "Deed of Settlement") by BSHK and Mr. Shum for the settlement of legal proceedings represented by the Writ, the extension to the repayment dates for Mr. Shum to make repayment pursuant to the Deed of Settlement, the execution of the deed of assignment (the "Deed of Assignment"), the execution of a second deed of settlement (the "Second Deed of Settlement") by BSHK, the Company and Mr. Shum, the repayment proposal agreed between the Company and Mr. Shum (the "Repayment Proposal"), the new repayment proposal agreed between the Company and Mr. Shum (the "New Repayment Proposal") and the additional security provided by Dutfield International Group Company Limited to the Company for the recovery of the outstanding amount due by Mr. Shum.

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

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

DIRECTORS' AND CHIEF EXECUTIVES INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

At 31 December 2013, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise were notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules, were as follows:-

Long positions in the ordinary shares of HK\$0.1 each of the Company

Name of Director	Nature of interests	Number of shares held	Approximate percentage of shareholding (Note 2)
Mr. Wang Xiaofei	Personal interest	230,400,000	17.56%
Mr. Du Juanhong ("Mr. Du") (Note 1)	Corporate interest	106,580,000 (Note 1)	8.12%

Notes:

- These shares were held by Hong Kong Wintek International Co., Limited ("Wintek") which was wholly-owned by Mr. Du who was appointed as non-executive Director on 5 March 2012. By virtue of the SFO, Mr. Du is deemed to be interested in the shares held by Wintek.
- The percentage is calculated on the basis of 1,312,200,000 shares of the Company in issue at 31 December 2013.

Save as disclosed above, at 31 December 2013, none of the Directors or the chief executive of the Company nor their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or as otherwise were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

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

At 31 December 2013, so far as is known to the Directors and the chief executive of the Company, the interests and shorts positions of the persons or corporations (other than the Directors and the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register to be kept by the Company pursuant to Section 336 of the SFO; or who was directly or indirectly, to be interested in 5% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group, were as follows:

Long positions in the ordinary shares of HK\$0.1 each of the Company

Name of shareholder	Nature of interests	Interest in shares	Interest in underlying shares	Total interest in shares	Approximate percentage of shareholding
Wintek	Beneficial owner	106,580,000	—	106,580,000	8.12% (Note 2)
Eternity Investment Limited (Note 1)	Interest of controlled corporation (Note 1)	—	40,000,000 (Note 1)	40,000,000 (Note 1)	304.83% (Note 3)

Note:

1. New Cove Limited (“New Cove”) is interested in 40,000,000 new shares, upon the capital reorganisation as disclosed in the circular of the Company dated 24 January 2013 becoming effective, pursuant to the subscription agreement entered into between the Company and New Cove dated 21 March 2013. Subject to the fulfillment of the conditions precedent as set out in the subscription agreement, the Company shall issue convertible bonds to New Cove in the principal amount of HK\$40,000,000 (the “Convertible Bonds”). The Convertible Bonds shall carry no interest and may be converted into new shares at an initial conversion price of HK\$1.00 per conversion share, subject to adjustment. Eternity Investment Limited, a company listed on the Main Board of the Stock Exchange, is the ultimate holding company of New Cove, is deemed to be interested in 40,000,000 new shares. Details of the subscription agreement were set out in the circular of the Company dated 23 May 2013.
2. The percentage is calculated on the basis of 1,312,200,000 shares of the Company in issue at 31 December 2013.
3. The percentage is calculated on the basis of 13,122,000 new shares of the Company assuming the capital reorganisation as disclosed in the circular of the Company dated 24 January 2013 becoming effective.

Save as disclosed above, at 31 December 2013, so far as is known to the Directors and the chief executive of the Company, and based on the public records filed on the website of the Stock Exchange and records kept by the Company, no other persons or corporations (other than the Directors and the chief executive of the Company) has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or, were directly or indirectly, interests in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

Save as disclosed above, so far as is known to the Directors, there is no other person who has an interest or short position in the shares and underlying shares that is discloseable under Section 336 of the SFO.

COMPETING INTERESTS

At 31 December 2013, none of the Directors, substantial shareholders of the Company nor any of their respective associates (as defined in the GEM Listing Rules) has any interest in a business which causes or may cause any significant completion with the business of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Insurance for potential legal actions against the Directors

Code provision A.1.8 of the CG Code and Report stipulates that the Company should arrange appropriate insurance to cover potential legal actions against its Directors. During the period under review, the Company had not yet been offered by any insurance company of any insurance policy for the Directors for indemnifying their liabilities arising from corporate activities.

Chairman and Chief Executive

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

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

Due to practical necessity of the Group’s corporate operating structure, the roles of the chairman and the chief executive officer are both performed by Mr. Yu Zhen Hua Johnny who is the Chairman and managing Director overseeing the operation and management of the Group. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company.

The Company is looking for a suitable candidate to fill the vacancy in order to comply with the CG Code and Report.

SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company has adopted a code of conduct regarding Director’s securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all the Directors, all Directors have confirmed that they have complied with such code of conduct and the required standard of dealings on Directors’ securities transactions. In addition, based on the information that is publicly available to the Company, the Company was not aware of any non-compliance with the required standard of dealings and the code of conduct regarding securities transactions by Directors.

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

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

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors namely, Mr. Tam B Ray Billy, Mr. Chu Kin Wang Peleus and Mr. Tse Joseph. The Audit Committee has reviewed the unaudited condensed consolidated interim results for the six months ended 31 December 2013 and has provided comments thereon.

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

Hong Kong, 13 February 2014

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Yu Zhen Hua Johnny, Mr. Wang Xiaofei (with Mr. Lee Chan Wah as alternate), Mr. Wang Shangzhong and Mr. Lee Chan Wah; one non-executive Director, namely Mr. Du Juanhong; and three independent non-executive Directors, namely Mr. Tam B Ray Billy, Mr. Chu Kin Wang Peleus and Mr. Tse Joseph.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company's website at www.eds-wellness.com.