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EDS Wellness Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8176)

ANNOUNCEMENT

(I) COMPLETION OF VERY SUBSTANTIAL ACQUISITION (II) FULFILLMENT OF CONDITIONS FOR RESUMPTION OF TRADING IN THE SHARES AND (III) RESUMPTION OF TRADING

Reference is made to the circular (the “**Circular**”) of EDS Wellness Holdings Limited (the “**Company**”) dated 21 March 2014 and the poll result announcement of the extraordinary general meeting of the Company dated 8 April 2014. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Circular and the Subscription Circular (as defined below).

(I) COMPLETION OF VERY SUBSTANTIAL ACQUISITION

The Board is pleased to announce that all conditions precedent to the Proposed Acquisition has been fulfilled and the Completion took place on 11 April 2014.

Upon Completion, the Target Company has become a 51% indirect owned subsidiary of the Company and its results, assets and liabilities will be consolidated into the financial statements of the Company.

(II) FULFILLMENT OF CONDITIONS FOR RESUMPTION OF TRADING IN THE SHARES

References are made to the announcements of the Company dated 18 July 2012, 30 April 2013, 6 September 2013, 17 September 2013 and 7 February 2014 and the Circular.

As disclosed in the Circular, the Stock Exchange issued a letter (the “**Letter**”) to the Company on 7 February 2014 stated that the Stock Exchange allows trading resumption of the Shares subject to satisfying the following conditions (the “**Resumption Conditions**”) by 30 April 2014:

- (a) completion of the proposed acquisition of China Honest Enterprises Limited 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 enlarged group together with reports from the Company’s auditors and financial adviser under paragraph 29(2) of Appendix 1B of the GEM Listing Rules; 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.

In respect of the conditions (b) under the Resumption Conditions, the profit forecasts together with reports from the Company’s auditors and financial adviser under paragraph 29(2) of Appendix 1B of the GEM Listing Rules and the 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 have been included in appendix IV and appendix I respectively of the Circular. As disclosed in the Circular, the forecast consolidated net profit of the Enlarged Group (before taxation, extraordinary items and minority interest) for the years ending 30 June 2014 and 30 June 2015 will be approximately HK\$4.49 million and approximately HK\$15.55 million respectively.

Detailed information relating to the financial information of the Group and the Enlarged Group are disclosed in the appendices to the Circular.

If, during the period of the profit forecasts for the years ending 30 June 2014 and 30 June 2015 on the Enlarged Group (the “**Profit Forecast**”) made by the Company, (a) an event occurs which, had it been known when the Profit Forecasts was made, would have caused any of the assumptions upon which the Profit Forecasts is based to have been materially different; or (b) profit or loss is generated by some activity outside the Company’s ordinary and usual course of business (which was not disclosed as anticipated in this circular) and which materially contributes to or reduces, or is likely to materially contribute to or reduce, the profits for such period, the Company will must promptly announce by way of an announcement the event and relevant details pursuant to Rule 17.26A of the GEM Listing Rules.

For the conditions (c) under the Resumption Conditions, in 2013, the Company engaged independent professional firm to conduct internal control review of the Group to demonstrate that the Group has adequate internal control system to meet the obligations under GEM Listing Rules. On 18 February 2014, the Company received a written

confirmation from the independent professional firm to confirm that during the course of their review of the Company's internal control procedures, nothing has come to their attention to indicate that the Group had significant deficiency for its internal control procedures as of 5 September 2013.

As the Proposed Acquisition was completed, the conditions (a), (b) and (c) under the Resumption Conditions as stated in the Letter have been satisfied and fulfilled as at the date of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 14 April 2014.

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

According to the terms of and conditions precedent to the Subscription Agreement which are disclosed in the Subscription Circular, the completion of the Subscription Agreement is conditional upon:

- (a) the passing of the necessary resolution(s) by the independent Shareholders who are allowed to vote under the GEM Listing Rules, The Hong Kong Code on Takeovers and Mergers and/or other applicable laws and regulations approving separately at the general meeting of the Company (i) the Subscription Agreement and the transaction contemplated thereunder (including but not limited to the issue of the Convertible Bonds and the allotment and issue of the conversion Shares); and (ii) the grant of the whitewash waiver;
- (b) the GEM Listing Committee having granted the listing of and permission to deal in, the conversion Shares;
- (c) the warranties under the Subscription Agreement remaining true and correct in all material respects;
- (d) all necessary consents and approvals (including but not limited to approval from the Board and the relevant regulatory approval pursuant to the GEM Listing Rules and The Hong Kong Code on Takeovers and Mergers) as may be required to be obtained by the Company in respect of the Subscription Agreement and the transactions contemplated thereby having been obtained;
- (e) the publication of an announcement of Eternity in relation to the Subscription Agreement and the transactions contemplated thereunder in compliance with Chapter 14 of the Listing Rules;

- (f) the granting of the whitewash waiver by the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such executive director; and
- (g) the reorganize the capital of the Company, which involves the capital reduction and the capital consolidation (the “**Capital Reorganisation**”) having become effective.

As at the date of this announcement, conditions precedent (b), (c), (d) and (g) have not been satisfied.

According to the terms of and conditions to the HK Builders Loan Agreement, the HK Builders 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 Eternity in relation to the Subscription Agreement and the HK Builders Loan Agreement and the transactions contemplated respectively thereunder in compliance with Chapter 14 of the Listing Rules; and
- (c) the passing of the necessary resolution(s) by the then independent Shareholders who are allowed to vote under the GEM Listing Rules, The Hong Kong Code on Takeovers and Mergers and/or other applicable laws and regulations approving at the general meeting of the Company the HK Builders Loan Agreement and the transaction contemplated thereunder.

As at the date of this announcement, condition (a) has not been satisfied.

According to the tentative timetable as announced by the Company on 3 March 2014, the Change in Domicile of the Company is expected to become effective on 22 April 2014 and the Capital Reorganisation is expected to become effective on 22 May 2014. Shareholders and potential investors should note that the Change of Domicile and the Capital Reorganisation are subject to the relevant conditions precedent being fulfilled, and therefore the effective date may be changed. The Company will keep the Shareholders and potential investors informed of any further changes in connection with the expected timetable of the Change of Domicile and the Capital Reorganisation by way of further announcement(s).

Based on the foregoing, as the date of this announcement, the Board expects that the conditions to completion of the Subscription Agreement and the HK Builder Loan Agreement will be satisfied on or before 30 June 2014.

After the fulfillment of all the conditions precedent to the Subscription Agreement, the Subscriber will subscribe for all the Convertible Bonds. The Subscriber intends to convert not less than HK\$25 million of the Convertible Bonds to become a controlling shareholder of the Company upon completion of the Subscription Agreement. The Subscriber also intends to initially designate three directors to the Board after completion of the Subscription Agreement. The Subscriber has confirmed to the Board that no candidates have been identified by the Subscriber as at the date of this announcement. Further announcement will be made by the Company in this regard.

As at the date of this announcement, there has been no change in the Subscriber’s intention to continue the Group’s principal business, after the issue of the Subscription Circular.

Shareholding structure of the Company

Shareholders	At the date of this announcement		After the capital reduction and the capital consolidation (the “Capital Reorganisation”) having becoming effective but before the full exercise of the conversion rights attaching to the Convertible Bonds		After the Capital Reorganisation become effective and assuming HK\$25 million of the Convertible Bonds having been converted into Shares		After the Capital Reorganisation become effective and assuming the full exercise of the conversion rights attaching to the Convertible Bonds (Note 3)	
	Share	Approx. %	Share	Approx. %	Share	Approx. %	Share	Approx. %
The Directors								
Wang Xiaofei (Note 1)	230,400,000	17.56	2,304,000	17.56	2,304,000	6.04	2,304,000	4.34
Du Juanhong (Note 2)	106,580,000	8.12	1,065,800	8.12	1,065,800	2.80	1,065,800	2.01
Subscriber and parties acting in concert with it	—	—	—	—	25,000,000	65.58	40,000,000	75.30
Public Shareholders	<u>975,220,000</u>	<u>74.32</u>	<u>9,752,200</u>	<u>74.32</u>	<u>9,752,200</u>	<u>25.58</u>	<u>9,752,200</u>	<u>18.35</u>
Total	<u>1,312,200,000</u>	<u>100.00</u>	<u>13,122,000</u>	<u>100.00</u>	<u>38,122,000</u>	<u>100.00</u>	<u>53,122,000</u>	<u>100.00</u>

Notes:

- 1 Mr. Wang Xiaofei is a substantial shareholder and an executive Director.
- 2 Mr. Du Juanhong is a non-executive Director.
- 3 For illustration purposes only. Pursuant to the terms of the Convertible Bonds, the conversion rights attaching to the Convertible Bonds may be exercised provided that the Company will maintain the public float in compliance with the GEM Listing Rules.

(III) RESUMPTION OF TRADING

Trading in the Shares on the GEM has been suspended since 30 September 2011. As all the Resumption Conditions as set out in the Stock Exchange’s letter dated 7 February 2014 have been satisfied and fulfilled as at the date of this announcement, an application has been made to the Stock Exchange for the resumption of trading in the Shares on the Growth Enterprise Market of the Stock Exchange with effect from 9:00 a.m. on 14 April 2014.

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

Hong Kong, 11 April 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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information

contained in this 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.

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.