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EDS Wellness Holdings Limited

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

(Stock Code: 8176)

LITIGATION ANNOUNCEMENT

The board of directors (the “**Board**”) of EDS Wellness Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces that, 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 People’s Republic of China.

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 in the aggregate amount of RMB2,868,001.50 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 RMB2,865,507.90 and the default payment until the day of actual repayment (which is in the aggregate amount of RMB1,369,098.68 as at 31 January 2014), totalling RMB4,234,606.58;
- (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 RMB2,493.60 and the interest loss until the day of actual repayment (which is in the aggregate amount of RMB304.00 as at 31 January 2014), totalling RMB2,797.60;

- (iii) order the appraisal fee of RMB7,500.00 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.

Reference is made 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 Mr. Shum Yeung. 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.

The Company will therefore defend strenuously in respect of the claims made by Yiying and may report to the relevant law enforcement agency in respect of the suspected forged signature. Based on the reasons set out above, the Directors consider that the legal proceedings will have no material impact to the financial performance and trading position of the Group.

The Company will make further announcement(s) to update the shareholders of the Company and the potential investors on any significant development regarding the above civil proceedings as and when appropriate.

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

Hong Kong, 12 May 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.

[#] *The English translation of the Chinese name(s) in this announcement, where indicated, is included for information purpose only, and shall not be regarded as the official English name(s) of such Chinese name(s).*