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EDS Wellness Holdings Limited

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

(Stock Code: 8176)

ANNOUNCEMENT

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



金利豐證券

KINGSTON SECURITIES

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 15 August 2014 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, 2,620,000 Placing Shares to currently expected not less than six Placées at a price of HK\$3.15 per Placing Share.

Pursuant to the Placing Agreement, up to 2,620,000 Placing Shares will be placed by the Placing Agent. The 2,620,000 Placing Shares represent (a) approximately 4.58% of the issued share capital of the Company of 57,183,000 Shares as at the date of the Placing Agreement and the date of this announcement; and (b) approximately 4.38% of the issued share capital of the Company as enlarged by the 2,620,000 Placing Shares.

On the basis that all of the 2,620,000 Placing Shares are placed in full, the gross proceeds and the net proceeds after deducting relevant expenses from the Placing will be approximately HK\$8.25 million and approximately HK\$7.86 million respectively. The Board intends to apply approximately HK\$7.54 million and approximately HK\$0.32 million of the net proceeds of the Placing for the repayment of all the outstanding loan indebted of approximately HK\$7.54 million to Hong Kong Builders Finance Limited and general working capital of the Group respectively.

Details of the Placing Agreement are set out in this announcement.

WARNING OF THE RISK OF DEALINGS IN THE SHARES

Shareholders and potential investors should note that the Placing is subject to the satisfaction of the conditions precedent as set out in the section headed “Conditions of the Placing” and the Placing Agent not having terminated the Placing Agreement in accordance with the terms thereunder. Accordingly, the Placing may or may not proceed.

Shareholders and potential investors are advised to exercise extreme caution when dealings in the Shares.

On 15 August 2014 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, 2,620,000 Placing Shares to currently expected not less than six Placees at a price of HK\$3.15 per Placing Share.

THE PLACING AGREEMENT

Date: 15 August 2014

Parties

The Company and the Placing Agent

Placing Agent

To the best of the Directors' knowledge, information and belief and having made all reasonable enquires, the Placing Agent and its ultimate beneficial owners are third parties independent of the Company and its connected person(s) (as defined under the GEM Listing Rules). As at the date of this announcement, the Placing Agent is interested in 96 Shares.

Placees

The Placing Shares will be placed to currently expected not less than six Placees which are independent professional, institutional or other investors who and whose ultimate beneficial owners are third parties independent of and not connected with any directors, chief executive or substantial shareholder(s) of the Company or its subsidiaries or any of their respective associates.

It is not expected that any Placees will become substantial shareholder of the Company immediately after completion of the Placing. If any of the Placees becomes a substantial shareholder of the Company after the completion of the Placing, further announcement will be made by the Company.

Placing Price

The Placing Price of HK\$3.15 represents:

- (a) a discount of approximately 15.55% to the closing price of HK\$3.73 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (b) a discount of approximately 19.81% to the average closing price of approximately HK\$3.928 per Share in the last five consecutive trading days prior to the Last Trading Day.

The Placing Price was agreed after arm's length negotiations between the Company and the Placing Agent, with reference to, among other things, the recent trading price of the Shares and the performance of the Shares and the attractiveness to the potential investors. The Directors (including the independent non-executive Directors) consider that the terms of the Placing are on normal commercial terms and are fair and reasonable and the Placing is in the interests of the Company and the Shareholders as a whole.

The net price for each Placing Share will be approximately HK\$3.00.

Number of the Placing Shares

Pursuant to the Placing Agreement, up to 2,620,000 Placing Shares will be placed by the Placing Agent. The 2,620,000 Placing Shares represent (a) approximately 4.58% of the issued share capital of the Company of 57,183,000 Shares as at the date of the Placing Agreement and the date of this announcement; and (b) approximately 4.38% of the issued share capital of the Company as enlarged by the 2,620,000 Placing Shares.

The aggregate nominal value of the Placing Shares will be HK\$262,000.00.

Ranking of the Placing Shares

The Placing Shares, when allotted, issued and fully paid, will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

General mandate to allot and issue of the Placing Shares

The Placing Shares will be allotted and issued pursuant to a general mandate (the "**General Mandate**") granted to the Directors by resolution of the Shareholders passed at the annual general meeting (the "**AGM**") of the Company held on 8 November 2013, subject to the limit up to 20% of the then issued share capital of the Company of 1,312,200,000 shares of HK\$0.1 each (the "**Pre-consolidated Shares**") as at the date of passing the relevant resolution at the AGM. Immediately after the capital reorganisation which involved the capital reduction of the Pre-consolidated Shares and consolidation of every one hundred Pre-consolidated Shares into one Share became effective on 13 May 2014, the issued share capital of the Company changed from 1,312,200,000 Pre-consolidated Shares to 13,122,000 Shares.

After the AGM, 44,061,000 new Shares were allotted and issued, of which (i) 19,061,000 Shares were allotted and issued pursuant to the open offer (the "**Open Offer**") of the Company proposed on 25 June 2014; and (ii) 25,000,000 Shares were allotted and issued to New Cove, the holder of the convertible bonds in the principal amount of HK\$40,000,000 issued by the Company, upon conversion of HK\$25,000,000 of the convertible bonds (the "**Conversion**"). Upon completion of the Open Offer and the Conversion, the issued share capital of the Company increased from 13,122,000 Shares to 57,183,000 Shares.

Up to the date of this announcement, no new Shares have been allotted and issued under the General Mandate and the Directors are allowed to allot and issue up to 2,624,400 new Shares.

Accordingly, the allotment and issue of the Placing Shares is not subject to the Shareholders' approval.

Placing commission

Upon completion of the Placing, a placing commission of 3.5% of the aggregate amount equal to the Placing Price multiplied by the actual number of the Placing Shares being placed by the Placing Agent is payable to the Placing Agent.

Conditions of the Placing

Completion of the Placing is conditional upon:

- (a) the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares; and
- (b) the obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms thereof, including provisions regarding force majeure event.

Completion of the Placing

Completion of the Placing will take place within four business days after the fulfillment of the conditions as set out above or such other later date to be agreed between the Company and the Placing Agent.

If the above conditions are not satisfied and/or waived in whole or in part by the Placing Agent prior to 5:00 p.m. on or before 29 August 2014 or such later date to be agreed between the Company and the Placing Agent in writing (the “**Placing Long Stop Date**”), the Placing will be terminated and will not proceed and all obligations and liabilities of the parties thereunder will forthwith cease and determine and no party to the Placing Agreement will have any claim against the others (save for any antecedent breaches thereof).

Application for Listing

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, all of the Placing Shares.

Termination of the Placing

Unless otherwise agreed between the Company and the Placing Agent, the Placing Agent’s appointment shall terminate upon the earlier of (a) the completion of the Placing; (b) the Placing Long Stop Date if the conditions as set out in section headed “Conditions of the Placing” have not been satisfied (or waived as the case may be); and (c) termination of the Placing Agreement by the Placing Agent in accordance with the terms and conditions of the Placing Agreement, whereby the Company will be formally notified by the Placing Agent in writing in accordance with the terms of the Placing Agreement.

The Placing Agent reserves its right to terminate the arrangements set out in the Placing Agreement by notice in writing prior to 9:00 a.m. on the date of completion, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events (as defined below).

For this purpose, a “force majeure event” refers to

- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date hereof) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances (inclusive of any pandemics or epidemics) which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group or adversely prejudices the success of placing of the Placing Shares to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or
- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the Placing Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

If, at or prior to 9:00 a.m. on the date of completion;

- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or
- (b) any suspension in the trading of the Shares on the GEM for more than ten consecutive trading days save for the purposes of clearing of the announcement(s) or circular(s) relating to the Placing Agreement; or
- (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated the Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing,

the Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

Upon giving of notice pursuant to the paragraph above, all obligations of the Placing Agent thereunder shall cease and determine and no party to the Placing Agreement shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Placing Agreement, save for any antecedent breaches.

REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS

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

As at the date of this announcement, the Group has the borrowings in an aggregate sum of approximately HK\$8.4 million, comprising (i) the borrowing from Hong Kong Builder Finance Limited, a licensed money lender in Hong Kong and an indirect wholly-owned subsidiary of Eternity, as lender, of approximately HK\$7.54 million carrying 5% interest rate per annum; and (ii) the borrowing from Dr. Lo Shing Kei, an independent third party of the Group of approximately HK\$0.86 million of which is non-interest bearing. On the basis that all of the 2,620,000 Placing Shares are placed in full, the gross proceeds and the net proceeds after deducting relevant expenses from the Placing will be approximately HK\$8.25 million and approximately HK\$7.86 million respectively. The Board intends to apply approximately HK\$7.54 million and approximately HK\$0.32 million of the net proceeds of the Placing for the repayment of all the outstanding loan indebted of approximately HK\$7.54 million to Hong Kong Builders Finance Limited and general working capital of the Group respectively.

The Directors are of the view that the Placing represents an opportunity to reduce the interest burden of the outstanding borrowing of the Group. Accordingly, the Directors (including the independent non-executive Directors) consider the Placing and the terms of the Placing Agreement (including the Placing Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company as at the date of this announcement and the effect on the shareholding structure of the Company upon completion of the Placing (assuming (i) there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing; and (ii) all of the 2,620,000 Placing Shares are placed in full) are set out below:

Shareholders	As at the date of this announcement		Upon completion of the Placing (assuming (i) there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing; and (ii) all of the 2,620,000 Placing Shares are placed in full)	
	Number of Shares	%	Number of Shares	%
New Cove (<i>Note 1</i>)	37,500,000	65.58	37,500,000	62.71
Public Shareholders				
Mr. Wang Xiaofei (<i>Note 2</i>)	2,304,000	4.03	2,304,000	3.85
Mr. Du Juanhong (<i>Note 3</i>)	1,065,800	1.86	1,065,800	1.78
Other public Shareholders	16,313,104	28.53	16,313,104	27.28
The Placing Agent	96	0.00	96	0.00
The Placees (<i>Note 4</i>)	—	—	2,620,000	4.38
Total	57,183,000	100.00	59,803,000	100.00

Notes:

1. New Cove is an indirect wholly-owned subsidiary of Eternity.
2. Mr. Wang Xiaofei was an executive Director before his resignation on 25 May 2014.
3. Mr. Du Juanhong was a non-executive Director before his resignation on 3 June 2014.
4. Some Placees may be the existing public Shareholders (holding less than 5% of the existing issued share capital of the Company as at the date of this announcement). The existing holdings of such Placees, if any, are included under “Other public Shareholders”.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

Set out below is the fund raising activity conducted by the Company in the past 12 months prior to the date of this announcement:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
25 June 2014	Issue of 19,061,000 new Shares at a subscription price of HK\$3.00 per new Shares by way of open offer to the qualifying Shareholders on the basis of one new Share for every two existing Shares held on 16 July 2014	HK\$54.0 million	Intended to apply all the net proceeds of the Open Offer for the repayment of the outstanding loan indebted to Hong Kong Builders Finance Limited.	Used as intended

WARNING OF THE RISK OF DEALINGS IN THE SHARES

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Shareholders and potential investors are advised to exercise extreme caution when dealings in the Shares.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, unless the context otherwise required, the following terms and expressions shall have the following meanings when used herein.

“associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors from time to time
“CCASS”	the central Clearing and Settlement Systems established and operated by HKSCC
“Company”	EDS Wellness Holdings Limited (stock code: 8176), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and its issued shares are listed on GEM
“Director(s)”	the director(s) of the Company
“Eternity”	Eternity Investment Limited (Stock code: 764), a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM

“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	15, August 2014, being the date of the Placing Agreement
“New Cove”	New Cove Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Eternity
“Placee(s)”	any independent professional, institutional or other investor(s) procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing, on a best effort basis, of up to 2,620,000 Placing Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement dated 15 August 2014 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$3.15 per Placing Share
“Placing Shares”	up to 2,620,000 new Shares to be placed pursuant to the terms of the Placing Agreement
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it in the GEM Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“%”	per cent.

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

Hong Kong, 15 August 2014

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Yu Zhen Hua Johnny (Chairman and Managing Director), Mr. Wang Shangzhong, Mr. Lee Chan Wah and Mr. Chan Kin Wah, Billy; 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.