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EDS Wellness Holdings Limited

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

(Stock Code: 8176)

ANNOUNCEMENT: OCCURRENCE OF EVENTS THAT MAY HAVE NEGATIVE IMPACT ON THE PROFIT FORECAST FOR THE 12-MONTH PERIOD ENDING 30 JUNE 2015

The Board wishes to inform the Shareholders and Potential Investors, due to the occurrence of the Events, it is anticipated that there may be a possible negative impact on the Profit Forecast for the 12-month period ending 30 June 2015.

The Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

The announcement is made by EDS Wellness Holdings Limited (the “**Company**”) pursuant to Rule 17.26A of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).

Reference is made to the announcements of the Company dated 4 November 2013, 11 April 2014 and 31 October 2014 and the circular of the Company dated 21 March 2014 (the “**Circular**”) regarding the acquisition of 51% equity interest in and the shareholders’ loan due by China Honest Enterprises Limited and the profit forecast of the Enlarged Group for the 12-month period ending 30 June 2015 (“**2015 Profit Forecast**”) with the basis and assumptions. Capitalised terms used in this announcement shall have the same meanings as defined in the Circular unless the context requires otherwise.

Pursuant to the 2015 Profit Forecast for the Enlarged Group as set out in Appendix VI to the Circular, it was expected that:

	For the 12-month period ending 30 June 2015
	<i>Approximately</i>
Forecast consolidated net profit for the 12-month period before extraordinary items and before taxation	HK\$15.55 million
Forecast consolidated net profit for the 12-month period after extraordinary items and taxation attributable to:	
Owner of the Company	HK\$7.27 million
Non-controlling interests	HK\$3.94 million
Unaudited pro forma forecast net profit for the 12-month period per Share attributable to owners of the Company	HK55.40 cents

The above 2015 Profit Forecast was made based on, amongst others, the following extracts of the basis and assumptions, which were also stated in the Appendix VI to the Circular:

- (1). “The average growth rate on revenue of the Group would be...approximately 32.94% for the year ending 30 June 2015 as compared to year ending 30 June 2014 taking into account the retail sales derived from “Evidens de Beauté ” products in the existing two point of sales at “La Spa Evidens” and World Trade Centre at Causeway Bay, the retail sales derived from “Blu Spa” products in the point of sales at Mikiki and wholesales derived from “Evidens de Beauté ” products and “Blu Spa” products and the following new development plans of the Group:
- a. a new shop is expected to be opened in May 2014 at Repulse Bay and a new beauty counter is expected to be opened in November 2014 at Tsimshatsui;
 - b. consignment sales and wholesales business at the shops of several renowned high fashioned brand in Hong Kong and on internet procured by the management;
 - c. new product line, “Extreme Line” of “Evidens de Beauté ” products, will be/has been launched on the global market.

Based on the above expectations, the management estimated that the gross profit ratio of the Group...further increase to approximately 48.4% in the amount of approximately HK\$15.4 million for the year ending 30 June 2015.

The major expenses of the Group will be the costs of sales and advertising and promotion expenses including the advertising, event and exhibition and free products or treatment to beauty reporters for promotion etc. As new shop and new beauty counter will be opened in 2014, the management expects that the administrative expenses of the Group will be increased ...for the year ending 30 June 2015 compared to the year ended 30 June 2013. The management also expects that the advertising and promotion expenses of the Group will also be increased for the year ending 30 June... 2015 as compared to that in the year ended 30 June 2013.”

- (2). “Extraordinary items to be incurred for the year ending 30 June 2015 include (i) interest income on overdue receivable in relation to a refundable deposit of approximately HK\$3.13 million; (ii) professional fees regarding resumption and debt and assets recovery professional fees of approximately HK\$0.15 million; (iv) interest expenses of loan from Koffman Investment Limited and Eternity in an aggregate amount of approximately HK\$5.7 million. It is expected that provisional tax payment of the Enlarged Group for the year ending 30 June 2015 will be approximately HK\$1.59 million.”
- (3). “The Enlarged Group will be operated and developed as planned by the management of the Company.”
- (4). “There will be no material changes in existing political, legal, fiscal, foreign trade or economic condition in Hong Kong, Macau and the PRC in which the Group carries on business throughout the Forecast Period and no material changes in the laws, regulations and policies in Hong Kong, Macau and the PRC which affect the business that the Enlarged Group carries on throughout the Forecast Period.”
- (5). “There will be no disaster, natural, political or otherwise, which would materially disrupt the business or operations of the Enlarged Group or cause substantial loss, damage or destruction to its facilities throughout the Forecast Period.”
- (6). “There will be no interruption of the Enlarged Group’s operations that will adversely affect the trading, financial and prospects of the Enlarged Group as a result of any other circumstances beyond management control.”

The Board wishes to inform the Shareholders and Potential Investors, due to the occurrence of the following unforeseeable events (“**Events**”), it is anticipated that there will be deviations from the above basis and assumptions:

DEVIATIONS FROM THE ABOVE BASIS AND ASSUMPTIONS (1), (3) & (6)

- (A) The tenancy agreement for the point of sale at World Trade Centre was expired on 24 October 2014 without renewal as the Company and the landlord could not agree on the terms of the new tenancy agreement including the amount of the new rent. As a result, no revenue will be generated from this point of sales thereafter.
- (B) No tenancy agreement for the new shop at Repulse Bay was entered into with the landlord as the Company and the landlord could not agree on the terms of the tenancy agreement especially the occupancy rate on the floor where the new shop is located. As a result, no revenue will be generated from this new shop at Repulse Bay.
- (C) No tenancy agreement for the new beauty counter at Tsimshatsui was entered into with the landlord as the Company and the landlord could not agree on the terms of the tenancy agreement. As a result, no revenue will be generated from this new beauty counter at Tsimshatsui.
- (D) Revenue derived from consignment basis is below expectation. The Company did not renew one of the consignment agreements with a consignee which was expired in June 2014”.
- (E) The sale derived from the wholesales business is below expectation.

As result of the occurrence of unforeseeable events (A) to (E) above, the sale of Evidens de Beauté products, the “Extreme Line” of the Evidens de Beauté products and sales from beauty treatment under the brand name of Evidens de Beauté may be adversely affected.

DEVIATION FROM THE ABOVE BASIS AND ASSUMPTIONS (2)

- (F) As the outstanding loans due to Koffman Investment Limited and Eternity were respectively fully repaid by the Company before September 2014, the interest expenses to be incurred by these loans will be substantially reduced.
- (G) As a result of the issue of promissory notes and convertible bonds on 11 April 2014 and 22 May 2014 respectively, imputed interest expenses will be incurred in respect of these financial instruments for the 12-month period ending 30 June 2015.
- (H) As a result of the possible drop in revenue due to the unforeseeable events (A) to (E) above, it is anticipated that the provisional tax payment of the Enlarged Group for the 12-month period ending 30 June 2015 will be reduced.

DEVIATIONS FROM THE ABOVE BASIS AND ASSUMPTIONS (4) & (5)

- (I) The decline in growth of the number of Mainland visitors to Hong Kong and their spending power has affected the whole retail sector in Hong Kong in the recent quarters of 2014.
- (J) The possible negative impact on the retail sector of Hong Kong due to the recent political event “Occupying Central” in Hong Kong.
- (K) Due to (I) and (J), the Board has adopted a relatively conservative approach for its business operations and expansion which is deviated from the Board’s original approach when making the 2015 Profit Forecast. Such conservative approach includes (i) closing down the existing high-rented retail shop in Causeway Bay (see (A) above) in order to minimize the rental expense and the administrative costs; and (ii) expanding the low-cost distribution channel by consignment sale. In June and August 2014, the Company has entered into two consignment contracts with two Independent Third Parties. The Board considers the new approach adopted by the Company will be beneficial to and in the interest of the Company and the Shareholders in long run.

Taking into account of the deviations of basis and assumptions due to the Events above, the Board considers that, in overall view, there may be a possible negative impact on the 2015 Profit Forecast.

The Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

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

Hong Kong, 11 November 2014

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Yu Zhen Hua Johnny, Mr. Chan Kin Wah Billy, Mr. Wang Shangzhong and Mr. Lee Chan Wah; 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 the Company collectively and individually accept 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 enquires, confirm that to the best of their knowledge and belief the information contained in this report 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 report 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.