EDS
EDS Wellness Holdings Limited

EDS Wellness Holdings Limited

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

(Stock Code: 8176)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2015

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 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.

The board of Directors of the Company (the "**Board**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the three months ended 31 March 2015. This announcement, containing the full text of the 2015 First Quarterly Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM in relation to information to accompany preliminary announcement of quarterly results. Printed version of the Company's 2015 First Quarterly Report will be delivered to the shareholders of the Company and available for viewing on the GEM website at www.hkgem.com and the Company's website at www.eds-wellness.com on 15 May 2015.

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FIRST QUARTERLY REPORT
FOR THE THREE MONTHS ENDED
31 MARCH 2015

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FIRST QUARTERLY RESULTS

The board of directors (the "**Board**") is pleased to announce the unaudited condensed consolidated first quarterly results of the Company and its subsidiaries (collectively, the "**Group**") for the three months ended 31 March 2015 together with the comparative unaudited figures for the corresponding period in 2014 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2015

		(Unaudited) For the three months ended 31 March	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**10,157**	4,758
Cost of sales		**(7,389)**	(2,920)
Gross profit		**2,768**	1,838
Other income	*4*	**42**	777
Selling and distribution costs		**(277)**	(85)
Administrative expenses		**(4,846)**	(3,075)
Impairment loss in respect of deposits		**—**	(6)
Loss from operations	*6*	**(2,313)**	(551)
Finance costs	*5*	**(226)**	(1,565)
Loss before taxation		**(2,539)**	(2,116)
Income tax expense	*8*	**(188)**	—
Loss for the period		**(2,727)**	(2,116)
Other comprehensive income for the period, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**1**	(6)
Other comprehensive income/(expenses) for the period		**1**	(6)
Total comprehensive expenses for the period		**(2,726)**	(2,122)

	Notes	(Unaudited) For the three months ended 31 March 2015 HK$'000	2014 HK$'000
Loss for the period attributable to:			
Owners of the Company		**(3,354)**	(2,116)
Non-controlling interests		**627**	—
		(2,727)	(2,116)
Total comprehensive expenses for the period attributable to:			
Owners of the Company		**(3,353)**	(2,122)
Non-controlling interests		**627**	—
		(2,726)	(2,122)
Loss per share (HK cents)	*9*		
Basic and diluted		**(4.5)**	(16.1)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and with effect from 22 April 2014, the Company was deregistered in the Cayman Islands and continued in Bermuda as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate holding company is Eternity Investment Limited ("**Eternity**"), a company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange. The Company's addresses of the registered office and the principal place of business in Hong Kong is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Unit 3811, 38/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong respectively.

The unaudited condensed consolidated 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 Company.

The Company's principal activity is investment holding and the principal activities of its principal subsidiaries are the development, distribution and marketing of personal care treatment, products and services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which is a collective term that includes all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations ("**Int**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), and accounting principles generally accepted in Hong Kong. In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("**GEM Listing Rules**") and the disclosure requirements of the Hong Kong Companies Ordinance.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the audited consolidated financial statements for the six months ended 31 December 2014.

The HKICPA has issued a number of new and revised standards, amendments to standards and Int (collectively referred to as "**new and revised HKFRSs**"). The Group has adopted the new and revised HKFRSs which are relevant to the Group's operations and are mandatory for the financial year beginning on 1 January 2015. The adoption of these new and revised HKFRSs does not have any significant financial effect on the Group's unaudited results of operations and financial position.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective for the three months ended 31 March 2015.

3. TURNOVER

	(Unaudited) For the three months ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Sales of beauty products	**688**	4,280
Provision of therapy services	**9,469**	478
	10,157	4,758

4. OTHER INCOME

	(Unaudited) For the three months ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Interest income on bank deposits	**30**	2
Gain on disposal of property, plant and equipment	**12**	—
Other interest income	**—**	772
Sundry income	**—**	3
	42	777

5. FINANCE COSTS

	(Unaudited) For the three months ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Imputed interest on promissory notes	**175**	—
Interest on other borrowings wholly repayable within 5 years	**29**	1,560
Interest on finance leases	**22**	5
	226	1,565

6. LOSS FROM OPERATIONS

	(Unaudited) For the three months ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Loss from operations has been arrived at after charging:		
Depreciation of property, plant and equipment	**1,172**	531
Staff costs including directors' emoluments		
— Salaries and other allowances	**4,720**	1,478
— Contributions to retirement benefit schemes	**141**	59
Impairment loss in respect of deposits	**—**	6
Operating lease rentals in respect of rental premises	**1,504**	969

7. DIVIDEND

The Board did not recommend the payment of any dividend for the three months ended 31 March 2015 (2014: Nil).

8. INCOME TAX EXPENSE

(i) Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the three months ended 31 March 2015.

(ii) No provision for overseas income tax was made as the Company's overseas subsidiaries did not have taxable income for the three months ended 31 March 2015 (2014: Nil).

(iii) The Group had no significant unprovided deferred tax assets and liabilities at 31 March 2015 (2014: Nil).

9. LOSS PER SHARE

The calculation of the basic loss per share for the three months ended 31 March 2015 is based on the loss for the period of approximately HK$3,354,000 (2014: loss of approximately HK$2,116,000) and on the weighted average of 74,803,000 shares in issue during the three months ended 31 March 2015 (2014: 13,122,000 shares, as adjusted to reflect the effect of the share consolidation took place on 13 May 2014).

Diluted loss per share for the three months ended 31 March 2015 and 31 March 2014 was the same as the basic loss per share as there was no diluting event.

10. RESERVES

	Attributable to owners of the Company								
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Merger reserve** *HK$'000*	**Contributed surplus** *HK$'000*	**Translation reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Sub-total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
At 1 January 2015 (audited)	7,480	97,922	—	27,141	11	(87,255)	45,299	3,757	49,056
Loss for the period	—	—	—	—	—	(3,354)	(3,354)	627	(2,727)
Other comprehensive income for the period: Exchange differences on translating foreign operations	—	—	—	—	1	—	1	—	1
Total comprehensive expenses for the period	—	—	—		1	(3,354)	(3,353)	627	(2,726)
At 31 March 2015 (unaudited)	**7,480**	**97,922**	**—**	**27,141**	**12**	**(90,609)**	**41,946**	**4,384**	**46,330**
At 1 January 2014 (unaudited)	131,220	175,357	22,734	—	16	(329,545)	(218)	—	(218)
Loss for the period	—	—	—	—	—	(2,116)	(2,116)	—	(2,116)
Other comprehensive expenses for the period: Exchange differences on translating foreign operations	—	—	—	—	(6)	—	(6)	—	(6)
Total comprehensive expenses for the period	—	—	—	—	(6)	(2,116)	(2,122)	—	(2,122)
At 31 March 2014 (unaudited)	131,220	175,357	22,734	—	10	(331,661)	(2,340)	—	(2,340)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the sales of beauty products and provision of therapy services. For the sales of beauty products, the Group offers a variety of beauty products under the brand name "Evidens de Beauté", and a variety of medical skincare products, including the brand "Activa". For the provision of therapy services, the Group operates a beauty centre with the brand "Evidens de Beauté" to offer facial sahos, body treatments and wellness messages services at Lyndhurst Terrace in Central and a medical skincare centre under the trade name "COLLAGEN+" at Soundwill Plaza in Causeway Bay.

During the period under review, the performance of the sales of beauty products and provision of therapy services under the brand name "Evidens de Beauté" was not satisfactory. The revenue derived from the sales of these categories of products or services recorded a substantial decrease as compared with that of the last corresponding period. Details were set out under the section headed "Occurrence of events that may have negative impact on the profit forecast for the 12-month period ended 30 June 2015" below.

Upon the completion of the acquisition of China Honest Enterprises Limited ("**China Honest**") on 11 April 2014, the performance of China Honest has met the expectation of the management. China Honest contributed approximately HK$9.5 million to the turnover of the Group for the three months ended 31 March 2015 of which approximately HK$9.2 million and HK$0.3 million were derived from the provision of therapy services and sales of beauty products respectively. The gross profit margin of China Honest for the three months ended 31 March 2015 was approximately 30.6%. The net profit of China Honest for the three months ended 31 March 2015 was approximately HK$1.3 million of which, after deducting the amount of non-controlling interests, approximately HK$0.7 million was contributed to the Group's unaudited consolidated financial results for the three months ended 31 March 2015.

On 17 February 2015, the Company and six subscribers (the "**Subscribers**"), who are independent third parties, entered into a subscription agreement (the "**Subscription Agreement**") pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Subscribers a total of 375,000,000 subscription shares, comprising 345,000,000 new ordinary shares (the "**Ordinary Subscription Shares**") and 30,000,000 new preferred shares (the "**Preferred Shares**") to the Subscribers (collectively, the "**Subscription Shares**"), at an issue price of HK$0.4 per Subscription Share (the "**Subscription**").

Upon completion of the Subscription (the "**Completion**"), the Company and Donica (as defined below) shall enter into a master supply agreement (the "**Master Supply Agreement**"), pursuant to which the Group may purchase the in-flight wireless local area network ("**WLAN**") and wireless fidelity ("**WIFI**") equipment and certain supporting services in relation to installation, testing, maintenance as specified in the Master Supply Agreement (the "**Services**") from Donica and Donica shall supply the in-flight WLAN and WIFI equipment and the Services exclusively to the Group from time to time during the term of the Master Supply Agreement to be used by customers of the Group.

As one of the conditions precedent to the Subscription, the Board proposed to reclassify and redesignate the existing authorised share capital of the Company of HK$500,000,000 comprising 5,000,000,000 ordinary shares of the Company of par value of HK$0.1 each to become HK$500,000,000 comprising; (i) 4,950,000,000 ordinary shares of the Company of par value of HK$0.1 each; and (ii) 50,000,000 Preferred Shares of par value of HK$0.1 each, with the rights, privileges and restrictions set out in the new bye-laws of the Company.

The Board further proposed to amend the existing bye-laws of the Company to, among others, reflect (i) the above reclassification and redesignation of the authorised share capital of the Company; and (ii) the creation and issue of Preferred Shares with the rights, privileges and restrictions as set out in the new bye-laws of the Company.

The directors of the Company (the "**Directors**") are of the view that the Subscription represents a valuable opportunity for the Group to bring in the Subscribers as strategic investors. The Subscribers (in particular the background of Mr. Cai Zhaoyang, who is the majority shareholder and the sole director of Xing Hang Limited ("**Xing Hang**")) have extensive experience, strong expertise and a wide business network in the avionic engineering and service business industry in the PRC. The Directors consider that entering into of the Subscription Agreement represents a good opportunity for the Group to (i) raise a substantial amount of additional funds, which provides the Group with the financial flexibility necessary for future business development in in-flight WLAN and WIFI engineering and service business in parallel to its existing business; (ii) improve its financial position and liquidity; and (iii) leverage the expertise and business network of Mr. Cai Zhaoyang to take advantage of the expected strong growth in the avionic engineering and service business sector in the PRC.

The majority shareholder and the sole director of Xing Hang, Mr. Cai Zhaoyang, is also the controlling shareholder of (as defined in the GEM Listing Rules) Shenzhen Donica Electronic Technology Co., Limited ("**Donica**"), which is an avionic systems and solution provider in the PRC. The Company plans to use the net proceeds from the Subscription substantially to finance the development of a new business in the provision of in-flight WLAN and WIFI engineering and services to airline companies in the PRC and other regions by stages in cooperation with Donica as stipulated under the Master Supply Agreement. The Company plans that the Group will source and sign contracts with airline companies to provide them with different in-flight WLAN and WIFI engineering and services, which is expected to include the provision of WLAN and WIFI equipment, and installation and maintenance services. Depending on the mode of cooperation between the Group and the airline companies, the Group may or may not charge the airlines companies for the provision of WLAN or WIFI equipment to them but may earn/share any income from passengers using the WLAN or WIFI services on the airplanes which use the Group's in-flight technology and connectivity solutions. The Company envisages that the first stage of the in-flight WLAN or WIFI services to be provided will only cover an in-flight connection to the airplane's server system which will enable the provision of a wider choice of information and entertainment services and in-flight shopping experience to the passengers while connection to the internet will be available when the airplane's server system is connected to the internet via satellites or ground-air stations.

Subject to the Group obtaining the necessary qualifications and/or certifications in this business, the Group will further expand into the production of the in-flight WLAN and WIFI equipment and the provision of related Services.

In terms of the provision of on-line contents via the Group's in-flight WLAN or WIFI network in the future, the Group is in the process of setting up a company (through certain contractual arrangements, i.e. a variable interest entity) in the PRC to hold an internet content provider licence.

With the assistance of Mr. Cai Zhaoyang, the Group plans to build up its own teams for the above proposed in-flight WLAN and WIFI engineering and service business. In preparation, the Group has recently set up a wholly-foreign-owned enterprise (the "**WFOE**") in the PRC for the development of this business on 13 April 2015.

Upon Completion, Xing Hang will become the controlling shareholder (as defined under the GEM Listing Rules) of the Company, and therefore Donica will become an associate (as defined under the GEM Listing Rules) of Xing Hang and accordingly a connected person of the Company. Accordingly, the transaction as contemplated under the Master Supply Agreement will constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules. Since the highest applicable percentage for the proposed annual caps for the transactions contemplated under the Master Supply Agreement is more than 5%, the transactions contemplated under the Master Supply Agreement shall be subject to approval by the independent shareholders of the Company and the announcement, reporting and annual review requirements under Chapter 20 of the GEM Listing Rules.

Pursuant to Rule 26.1 of the Takeovers Code, Xing Hang will make the unconditional mandatory cash offer (the "**Offer**"). Kingston Securities Limited will make the Offer on behalf of Xing Hang to acquire all the issued ordinary shares of the Company at an offer price of HK$4.07 per offer share (other than the Excluded Shares (as defined below)).

The other five Subscribers are considered as parties acting in concert with Xing Hang, Eternity, being the controlling shareholder (as defined under the GEM Listing Rules) of the Company, has undertaken to Xing Hang not to accept the Offer in respect of 36,500,000 ordinary shares of the Company held by New Cove Limited ("**New Cove**"), an indirectly wholly-owned subsidiary of Eternity (the "**Excluded Shares**") and the Subscribers have undertaken to Eternity, among other things, not to sell their respective holdings in the Subscription Shares within one year after Completion or during the period which Eternity remains directly or indirectly interested in 22,490,150 ordinary shares of the Company (representing 5.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no adjustment to the conversion price of the Conversion Shares (as defined below) in accordance with the terms of the Preferred Shares and that there is no other change in the number of ordinary shares of the Company in issue)) (whichever period is shorter). In view of these undertakings between Eternity and the Subscribers, Eternity is regarded as a party acting in concert with Xing Hang. Kingston Securities, being an agent to make the Offer, is also regarded as a party acting in concert with Xing Hang.

Upon Completion, the Xing Hang and parties acting in concert with it will in aggregate be interested in 397,500,096 ordinary shares of the Company, representing approximately 94.69% of the number of ordinary shares of the Company in issue as enlarged by the allotment and issue of the Subscription Shares (assuming that no Preferred Shares are converted into conversion shares (the "**Conversion Shares**") and that there is no other change in the number of ordinary shares of the Company in issue). Upon full conversion of the Preferred Shares, Xing Hang and parties acting in concert with it will in aggregate be interested in 427,500,096 ordinary shares of the Company, representing approximately 95.04% of the number of ordinary shares of the Company in issue as enlarged by the allotment and issue of the Subscription Shares (assuming there is no adjustment to the conversion price in accordance with the terms of the Preferred Shares and that there is no other change in the number of ordinary shares of the Company in issue).

Details of the Subscription, the Master Supply Agreement, the transaction and the proposed annual caps as contemplated in the Master Supply Agreement, the reclassification and redesignation of the existing authorised share capital of the Company and the amendment to the bye-laws of the Company (the "**Transactions**") were set out in the Company's announcement dated 15 April 2015.

The Transactions are subject to the approval of the independent shareholders of the Company. As at the date of this report, the Company is in the process of preparing the circular in relation to the Transactions.

The Group is not optimistic on the performance of the retail market in the forthcoming period. In order to avoid the risk of not meeting the minimum annual purchase amount under the exclusive distribution agreement (the "**Exclusive Distribution Agreement**") entered on 13 July 2012 with Montaigne Limited ("**Montaigne**"), the brand owner of "Evidens de Beauté", on 31 March 2015, EDS Distribution Limited ("**EDS Distribution**"), an indirectly wholly owned subsidiary of the Company, notified Montaigne of its intention to terminate the Exclusive Distribution Agreement for the exclusive distributorship of "Evidens de Beauté" products by EDS Distribution in Hong Kong and Macau upon the expiry of the initial term of the Exclusive Distribution Agreement on 30 June 2015. EDS Distribution intends to negotiate with Montaigne on the continuance of the distribution of "Evidens de Beauté" products in Hong Kong and Macau on a non-exclusive basis without any minimum annual purchase amount and advertising and promotion obligations.

Financial Review

During the period under review, the Group recorded a turnover of approximately HK$10.2 million, representing an increase of approximately 113.5% as compared with last corresponding period, of which approximately HK$0.7 million (2014: approximately HK$4.2 million) and approximately HK$9.5 million (2014: approximately HK$0.5 million) were generated from the sales of beauty products and provision of therapy services respectively. The increase in turnover was contributed by China Honest which was acquired on 11 April 2014.

As the acquisition of China Honest was completed on 11 April 2014, the unaudited operating results of the Group for the three months ended 31 March 2014 was solely contributed by the operations under the brand name “Evidens de Beauté”.

During the period under review, China Honest, the 51% owned subsidiary, contributed approximately HK$9.5 million to the turnover of the Group, representing approximately 93.6% of the total turnover, of which approximately HK$0.3 million and HK$9.2 million were generated from the sales of beauty products and provision of therapy services respectively. The revenue generated from the sales of beauty products and the provision of therapy services under the brand name “Evidens de Beauté” was approximately HK$0.4 million (2014: approximately HK$4.2 million) and HK$0.2 million (2014: approximately HK$0.5 million) respectively.

The gross profit margin was approximately 27.2% (2014: approximately 38.6%). China Honest contributed approximately HK$2.9 million to the total gross profit of the Group, while the operations under the brand name “Evidens de Beauté” recorded a gross loss of approximately HK$0.1 million.

Other income of approximately HK$42,000 (2014: approximately HK$0.8 million) was mainly contributed by the interest income on bank deposits.

The selling and distribution costs was approximately HK$0.3 million (2014: approximately HK$85,000), representing an increase of 225.7% over the last corresponding period. Such increase was mainly attributed to the advertising and promotion expenses of approximately HK$0.2 million incurred by China Honest during the period under review.

The administrative expenses was approximately HK$4.8 million (2014: approximately HK$3.1 million), representing an increase of 57.3% over the last corresponding period. Such increase was mainly attributed to (i) increase in legal and professional fee of approximately HK$0.7 million; (ii) increase in staff costs including directors’ emoluments of approximately HK$0.6 million; and (iii) increase in depreciation of approximately HK$0.3 million. China Honest accounted for approximately HK$1.3 million of the total administrative expenses during the period under review.

The finance costs of approximately HK$0.2 million (2014: approximately HK$1.6 million) was mainly attributed to the imputed interest arisen from the issuance of promissory notes of approximately HK$0.2 million during the period under review. The decrease was contributed by the decrease of the interest on other borrowings to approximately HK$29,000 in the current period from approximately HK$1.6 million in the last corresponding period.

The consolidated loss attributable to owners of the Company amounted to approximately HK$3.4 million for the three months period ended 31 March 2015 (2014: approximately HK$2.1 million). The deterioration of the results was mainly attributed to (i) unsatisfactory performance of the business segment under the brand name “Evidens de Beauté”; (ii) the increase in legal and professional fees; and (iii) the increase in staff costs including directors’ emoluments.

OUTLOOK

The Board believes that the entering into of the Subscription Agreement represents a good opportunity to improve its financial position and liquidity and the possible development of certain new business in a segment different from the existing business of the Group will diversify and broaden its revenue sources and improve its profitability in the long run.

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

On 11 November 2014, the Company announced that due to the occurrence of certain events, it was anticipated that there may be a possible negative impact on the profit forecast for the 12-month period ending 30 June 2015 (the "**2015 Profit Forecast**") which was stated in the Appendix VI to the circular of the Company dated 21 March 2014 in relation to the acquisition of 51% equity interest in and the shareholders' loan due by China Honest. The 2015 Profit Forecast was made based on certain basis and assumptions. Taking into account of the deviations of basis and assumptions due to the occurrence of these events, the Board considered that, in an overall view, there may be a possible negative impact on the 2015 Profit Forecast. Detailed information were set out in the Company's announcement dated 11 November 2014.

For the three months ended 31 March 2015, the Group recorded a loss after tax of the Group of approximately HK$2.7 million as compared to the forecast profit after tax of the Group of approximately HK$2.3 million in the same period as estimated in the 2015 Profit Forecast (the "**Deviation**"). The Deviation was mainly due to (i) a substantial decrease in the sales of beauty products and provision of therapy services under the brand name "Evidens de Beauté" for the three months ended 31 March 2015; and (ii) a substantial increase of legal and professional fees incurred for the three months ended 31 March 2015.

The actual revenue derived from the sales of beauty products under the brand name "Evidens de Beauté" for the three months ended 31 March 2015 was approximately HK$0.4 million, accounting for approximately 7.1% of the forecast revenue for the same period of approximately HK$5.9 million. The actual revenue derived from the provision of the therapy services under the brand name "Evidens de Beauté" for the three months ended 31 March 2015 was approximately HK$0.2 million, accounting for approximately 15.6% of the forecast revenue for the same period of approximately HK$1.5 million. In addition, for the three months ended 31 March 2015, the Group incurred legal and professional fees of approximately HK$1.5 million, accounting for 1,687.6% of the forecast legal and professional fees for the same period of approximately HK$90,000. The reason for such derivation was mainly attributed to the incurrence of legal and professional fees in connection with the Transactions.

CONTINGENT LIABILITY

On 23 January 2015, the Company received a writ of summons in the High Court Action No. 200 of 2015 issued by Mr. Shum Yeung ("Mr. Shum") as the plaintiff against the Company as the defendant for the following claims:

(i) the Judgment in High Court Action No. 1775 of 2012 dated 6 September 2013, is relating to which the Court of First Instance of the High Court of Hong Kong adjudged that Mr. Shum (a) 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; and (b) shall pay the Company the costs of this action including the costs of and occasioned by the Company's application for summary judgment to be taxed if not agreed, entered against Mr. Shum be set aside;

(ii) loss and damages suffered by Mr. Shum as a result of the Judgment being obtained against him;

(iii) an order for discovery upon oath of all matters relating to the foregoing;

(iv) an order for payment of all sums found due to Mr. Shum together with the interest thereon at such rate and for such period as the High Court may deem just pursuant to the High Court Ordinance;

(v) the cost; and

(vi) further or other relief.

On 30 March 2015, the Company received a statement of claim in the High Court of Hong Kong Special Administrative Region filed by Mr. Shum in relation to the High Court Action No. 200 of 2015. The Company and the Directors strongly refute and will vigorously defend the claims. The Company and the Directors are in the process of seeking legal advice in respect of the legal proceedings. No provision for the claims of such legal proceedings was made for the period ended 31 March 2015.

EVENTS AFTER THE REPORTING PERIOD

On 13 April 2015, the Group set up a WFOE, namely深圳多尼卡互聯技術有限公司(Shenzhen Donica Networking Technology Co. Ltd.[#]), in Shenzhen, the PRC with a registered share capital of RMB5,000,000 (equivalent to HK$6,244,750).

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

As at 31 March 2015, 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 Securities and Futures Ordinances (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

As at 31 March 2015, 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:

[#] *The English translation of the Chinese name in this report, where indicated, is for information purpose only, and shall not be recognised as the official English name of such Chinese name.*

Interests and short positions in the ordinary shares or underlying ordinary shares of the Company

Name of shareholder	Nature of interests	*Notes*	Interest in ordinary shares of the Company *(Note 1)*	Interest in underlying ordinary shares of the Company *(Note 1)*	Total interest in ordinary shares of the Company *(Note 1)*	Approximate percentage of shareholding *(Notes 1 and 13)*
Eternity	Interest of controlled corporation and party acting in concert	*5*	52,500,000(L)	375,000,000(L)	427,500,000(L)	571.50% (L)
Cai Zhaoyang	Interest of controlled corporation and party acting in concert	*6*	—	427,500,000(L) 179,921,200(S)	427,500,000(L) 179,921,200(S)	571.50% (L) 240.53% (S)
Xing Hang	Beneficial owner and party acting in concert	*6*	—	427,500,000(L) 179,921,200(S)	427,500,000(L) 179,921,200(S)	571.50% (L) 240.53% (S)
Success Far	Security Interest	*7*	—	179,921,200(L)	179,921,200(L)	240.53% (L)
Goldenland	Beneficial owner and party acting in concert	*8*	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Liu Jin	Interest of controlled corporation and party acting in concert	*8*	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Xue Siman	Interest of controlled corporation and party acting in concert	*8*	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Silver Empire	Beneficial owner and party acting in concert	*9*	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Genius Earn	Interest of controlled corporation and party acting in concert	*9*	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Liu Xiaolin	Interest of controlled corporation and party acting in concert	*9*	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Truly Elite	Beneficial owner and party acting in concert	*10*	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Yeung Heung Yeung	Interest of controlled corporation and party acting in concert	*10*	—	427,500,000(L)	427,500,000(L)	571.50% (L)
High Aim	Beneficial owner and party acting in concert	*11*	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Ko Chun Shun Johnson	Interest of controlled corporation and party acting in concert	*11*	—	427,500,000(L)	427,500,000(L)	571.50% (L)
First Bonus	Beneficial owner and party acting in concert	*12*	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Reorient Limited	Interest of controlled corporation and party acting in concert	*12*	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Reorient Group Limited	Interest of controlled corporation and party acting in concert	*12*	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Gainhigh	Interest of controlled corporation and party acting in concert	*12*	—	427,500,000(L)	427,500,000(L)	571.50% (L)
Insula	Interest of controlled corporation and party acting in concert	*12*	—	427,500,000(L)	427,500,000(L)	571.50% (L)

Notes:

1. "**L**" represents long position in ordinary shares/underlying ordinary shares of the Company and "**S**" represents short position in ordinary shares/underlying ordinary shares of the Company.

2. On 17 February 2015, the Company and six Subscribers, namely Xing Hang Limited ("**Xing Hang**"), Goldenland Mining & Investment Limited ("**Goldenland**"), Silver Empire Holding Limited ("**Silver Empire**"), Truly Elite Limited ("**Truly Elite**"), High Aim Global Limited ("**High Aim**") and First Bonus International Limited ("**First Bonus**") entered into the Subscription Agreement pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue a total of 375,000,000 Subscription Shares, comprising 345,000,000 Ordinary Subscription Shares and 30,000,000 Preferred Shares to the Subscribers, at an issue price of HK$0.4 per Subscription Share.

3. Upon Completion, Xing Hang will become the controlling shareholder of the Company. Pursuant to Rule 26.1 of the Takeovers Code, Xing Hang will make the Offer. Kingston Securities Limited ("**Kingston Securities**") will make the Offer on behalf of Xing Hang to acquire all the issued ordinary shares of the Company at an offer price of HK$4.07 per offer share (other than the Excluded Shares).

4. Goldenland, Silver Empire, Truly Elite, High Aim and First Bonus are considered as parties acting in concert with Xing Hang, Eternity, being the controlling shareholder (as defined under the GEM Listing Rules) of the Company, has undertaken to Xing Hang not to accept the Offer in respect of the Excluded Shares (the "**Lock-Up Undertaking**") and the Subscribers have undertaken to Eternity, among other things, not to sell their respective holdings in the Subscription Shares within one year after completion of the Subscription or during the period which Eternity remains directly or indirectly interested in 22,490,150 ordinary shares of the Company (representing 5.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no adjustment to the conversion price of the Conversion Shares in accordance with the terms of the Preferred Shares and that there is no other change in the number of ordinary shares of the Company in issue)) (whichever period is shorter) (the "**Subscribers' Lock-Up Undertaking**"). In view of these undertakings entered into between Eternity and the Subscribers, Eternity is regarded as a party acting in concert the Subscribers. Kingston Securities, being an agent to make the Offer, is also regarded as a party acting in concert with Xing Hang.

5. New Cove is interested in 52,500,000 ordinary shares of the Company. As New Cove is an indirect wholly-owned subsidiary of Eternity, Eternity is deemed to be interested in such 52,500,000 ordinary shares of the Company. In addition, as Eternity is considered as a party acting in concert with the Subscribers under section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, Eternity is deemed to be interested in the Subscription Shares. As such, Eternity is deemed to be interested in an aggregate of 427,500,000 ordinary shares of the Company.

6. Xing Hang is ultimately owned as to 82.5% by Mr. Cai Zhaoyang, 7.5% by Mr. Lin Fan, 3.75% by Ms. Xu Yaping, 3.75% by Mr. Guo Pengcheng and 2.5% by Mr. Chen Jie. Pursuant to the Subscription Agreement, Xing Hang will subscribe for 179,921,200 Ordinary Subscription Shares. Pursuant to the term loan agreement entered into between Xing Hang and Success Far (as defined below), a share charge will be given by Xing Hang in favour of Success Far over the 179,921,000 ordinary shares of the Company to be issued to Xing Hang under the Subscription. Accordingly, Xing Hang acquires a short position in respect of such 179,921,000 ordinary shares of the Company. As Xing Hang is a controlled corporation of Mr. Cai Zhaoyang, Mr. Cai is deemed to have acquired a short position in such 179,921,200 ordinary shares of the Company. Further, as Xing Hang is a party acting in concert with the other Subscribers and with Eternity under section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, each of Xing Hang and Mr. Cai Zhaoyang is deemed to be interested in an aggregate of 427,500,000 ordinary shares of the Company.

7. In accordance with the term loan agreement entered into between Xing Hang and Success Far Holdings Limited ("**Success Far**") which is owned as to approximately 20.85% by Silver Empire, 22.93% by Truly Elite, 25% by Goldenland and 31.22% by High Aim, pursuant to which Success Far shall provide a facility to Xing Hang and Xing Hang give a share charge in favour of Success Far over 179,921,200 Ordinary Subscription Shares to be issued to Xing Hang under the Subscription. As such, Success Far is deemed to be interested in 179,921,200 ordinary shares of the Company.

8. Goldenland is ultimately owned as to 50% by Mr. Liu Jin and 50% by Ms. Xue Siman. Pursuant to the Subscription Agreement, Goldenland will subscribe for 45,396,178 Ordinary Subscription Shares. As Goldenland is a party acting in concert with the other Subscribers and with Eternity under section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, each of Goldenland, Mr. Liu Jin and Ms. Xue Siman is deemed to be interested in an aggregate of 427,500,000 ordinary shares of the Company.

9. Silver Empire is wholly-owned by Genius Earn Limited which is in turn wholly-owned by Mr. Liu Xiao Lin. Pursuant to the Subscription Agreement, Silver Empire will subscribe for 37,861,665 Ordinary Subscription Shares. As Silver Empire is a party acting in concert with the other Subscribers and with Eternity under section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, each of Silver Empire, Genius Earn Limited and Mr. Liu Xiao Lin is deemed to be interested in an aggregate of 427,500,000 ordinary shares of the Company.

10. Truly Elite is wholly-owned by Mr. Yeung Heung Yeung. Pursuant to the Subscription Agreement, Truly Elite will subscribe for 41,628,921 Ordinary Subscription Shares. As Truly Elite is a party acting in concert with the other Subscribers and with Eternity under section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, each of Truly Elite and Mr. Yeung Heung Yeung is deemed to be interested in an aggregate of 427,500,000 ordinary shares of the Company.

11. High Aim is wholly-owned by Mr. Ko Chun Shun, Johnson. Pursuant to the Subscription Agreement, High Aim will subscribe for 26,697,946 Ordinary Subscription Shares and 30,000,000 Preferred Shares. As High Aim is a party acting in concert with the other Subscribers and with Eternity under section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, each of High Aim and Mr. Ko Chun Shun, Johnson is deemed to be interested in an aggregate of 427,500,000 ordinary shares of the Company.

12. First Bonus is a wholly-owned subsidiary of Reorient Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Reorient Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange. Reorient Group Limited is a subsidiary of Gainhigh Holdings Limited ("**Gainhigh**") which in turn is a subsidiary of Insula Holdings Limited ("**Insula**"). Mr Ko Chun Shun, Johnson is an executive director and the controlling shareholder (as defined under the Listing Rules) of Reorient Group Limited. Pursuant to the Subscription Agreement, First Bounus will subscribe for 13,494,090 Ordinary Subscription Shares. As First Bonus is a party acting in concert with the other Subscribers and with Eternity in view of the Subscribers' Lock-Up Undertaking, each of First Bonus, Reorient Limited, Reorient Group Limited, Gainhigh, Insula and Mr. Ko Chun Shun, Johnson is deemed to be interested in an aggregate of 427,500,000 ordinary shares of the Company.

13. The percentage is calculated on the basis of 74,803,000 ordinary shares of the Company in issue as at 31 March 2015.

Save as disclosed above, as at 31 March 2015, 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 of the Company that is discloseable under Section 336 of the SFO.

COMPETING INTERESTS

As at 31 March 2015, none of the Directors, substantial shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) has any interest in a business which causes or may cause any significant competition with the business of the Group.

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 to 5.29 of the GEM Listing Rules. The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Tam B Ray, Billy, Mr. Chu Kin Wang, Peleus and Mr. Joseph Tse. The Audit Committee has reviewed the unaudited condensed consolidated first quarterly results of the Group for the three months ended 31 March 2015 and has provided advice and comments thereon.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the period under review, 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 is still arranging for appropriate liability insurance 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. 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. Chan Kin Wah, Billy who is the Chairman 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.

By Order of the Board
EDS Wellness Holdings Limited
Chan Kin Wah, Billy
Chairman

Hong Kong, 15 May 2015

As at the date of this report, the Board comprises two executive Directors, namely Mr. Chan Kin Wah, Billy 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.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the three months ended 31 March 2015 (for the three months ended 31 March 2014: Nil).

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Tam B Ray, Billy, Mr. Chu Kin Wang, Peleus and Mr. Joseph Tse. The Audit Committee has reviewed the unaudited condensed consolidated first quarterly results of the Group for the three months ended 31 March 2015 and has provided advice and comments thereon.

By Order of the Board
EDS Wellness Holdings Limited
Chan Kin Wah, Billy
Chairman

Hong Kong, 15 May 2015

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Chan Kin Wah, Billy, 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 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