EDS Wellness Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8176)

FIRST QUARTERLY REPORT
FOR THE THREE MONTHS ENDED
30 SEPTEMBER 2013

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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This report, 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 the Growth Enterprise Market of the Stock Exchange (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 report 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.

UNAUDITED 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 30 September 2013 together with the comparative unaudited figures for the corresponding period in 2012 as follows:

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

For the three months ended 30 September 2013

		(Unaudited) For the three months ended 30 September	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
Turnover	4	**3,486**	3,514
Cost of sales		**(2,461)**	(5,151)
Gross profit/(loss)		**1,025**	(1,637)
Other revenue and income	5	**2,628**	16
Advertising and promotion expenses		**(273)**	(54)
Administrative expenses		**(2,177)**	(3,300)
Finance costs	6	**(1,368)**	(673)
Loss before tax	7	**(165)**	(5,648)
Income tax expense	9	**—**	—
Loss for the period		**(165)**	(5,648)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**3**	—
Other comprehensive income for the period		**3**	—
Total comprehensive expenses for the period		**(162)**	(5,648)
Loss for the period attributable to:			
Owners of the Company		**(165)**	(5,648)
Total comprehensive expenses for the period attributable to:			
Owners of the Company		**(162)**	(5,648)
		HK cent	*HK cent*
Loss per share (HK Cent)	10		
Basic and diluted		**(0.01)**	(0.43)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company in Hong Kong is 19/F., Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong.

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 Group.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The accounting policies used in the unaudited condensed consolidated results for the three months ended 30 September 2013 are consistent with those used in the annual financial statements of the Group for the year ended 30 June 2013, except for the impact of the adoption of the new and revised Hong Kong Accounting Standard ("HKASs"), Hong Kong Financial Reporting Standards and interpretations described below.

In the current period, the Group has applied, for the first time, new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 July 2013. The adoption of the new and revised HKFRSs has no material effect on the unaudited condensed consolidated financial statements for the current or prior accounting period.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong except for the non-consolidation of certain subsidiaries of the Group as explained below. In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the GEM Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance.

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis.

The preparation of the unaudited condensed consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in annual financial statements for the year ended 30 June 2013.

All significant intercompany transactions, balances and unrealised gain in transaction within the Group have been eliminated on consolidation.

Certain comparative figures have been reclassified to conform with current period's presentation.

Going concern basis

These unaudited condensed consolidated financial statements have been prepared on a going concern basis notwithstanding that the Group incurred a loss of approximately HK$165,000 for the three months ended 30 September 2013, which indicates the existence of a material uncertainty which may cause significant doubt about the Group's ability to continue as a going concern.

The Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The unaudited condensed consolidated financial statements have been prepared on a going concern basis. The validity of the going concern assumption on which the unaudited condensed consolidated financial statements are prepared is dependent on the favorable outcomes of (i) the repayment of the other receivable due from a debtor of approximately HK$42,834,000 to the unaudited condensed consolidated financial statements; (ii) the extension of repayment of loan facility of approximately HK$48,330,000 granted by a company owned by an executive Director of which details were set out in the Company's announcement dated 2 April 2012, 7 May 2012, 26 June 2012, 26 September 2012, 26 October 2012, 26 November 2012, 7 December 2012, 31 December 2012, 15 January 2013, 31 January 2013, 28 February 2013, 2 April 2013, 30 April 2013, 31 May 2013, 28 June 2013, 31 July 2013, 30 August 2013 and 17 October 2013; (iii) the completion of the conditional subscription agreement in respect of the issue of convertible bonds in the principal amount of HK$40,000,000 of which details were set out in the Company's announcements dated 21 March 2013, 11 April 2013, 25 April 2013, 9 May 2013, 24 May 2013, 11 June 2013, 30 October 2013 and the Company's circular dated 23 May 2013 and (iv) the completion of the conditional unsecured loan agreement in the principal amount of HK$40,000,000 of which details were set out in the Company's announcements dated 21 March 2013, 11 April 2013, 25 April 2013, 9 May 2013, 24 May 2013, 11 June 2013, 30 October 2013 and the Company's circular dated 23 May 2013 (the "Proposed Plans").

The unaudited condensed consolidated financial statements of the Group have been prepared on a going concern basis on the basis that the Proposed Plans will be successfully completed.

In the opinion of the Directors, if the Proposed Plans completed successfully, the Group would be able to generate sufficient funds to meet its future working capital requirements and financial obligations when they fall due. Accordingly, the Directors consider that it is appropriate to prepare these unaudited condensed consolidated financial statements on a going concern basis.

The applicability of the going concern basis depends on the outcomes of the Proposed Plans, which the eventual outcome is uncertain, and the Group's ability to generate sufficient funds to meet its future working capital requirements and financial obligations when they fall due. The unaudited condensed consolidated financial statements do not include any adjustments for possible failure of the Proposed Plans and the continuance of the Group as a going concern. Should the Group be unable to continue as a going concern, adjustments would have to be made to the unaudited condensed consolidated financial statements to reduce the value of the assets of the Group to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the unaudited condensed consolidated financial statements.

Subsidiaries not consolidated

The unaudited condensed consolidated financial statements were prepared based on the books and records maintained by the Company and its subsidiaries. However, the directors and management of certain subsidiaries of the Company, namely, Blu Spa (Hong Kong) Limited ("BSHK") and its subsidiaries (the "BSHK Group"), Blu Spa International Limited and Blu Spa Management Services Limited (collectively referred to as the "Unconsolidated Subsidiaries"), have not provided complete documentary information and reasonable explanation in respect of the transactions asserted to have been undertaken. The Directors have not been able to obtain complete documentary information to satisfy themselves regarding the accounting treatments in respect of those transactions since 1 July 2011.

On 19 February 2013, the Board announced that the sole director of BSHK proposed to voluntarily wind-up BSHK and appointed Messrs. Osman Mohammed Arab and Wong Kwok Keung as joint and several liquidators. The notice of appointment of joint and several liquidators were published on the government gazette on 26 February 2013. Upon the appointment of the liquidators, the assets of BSHK will be realised, where possible and appropriate.

As set out in the Company's announcement dated 9 April 2013, regarding the results of the Company's engagement of an independent professional firm to investigate and comment on the reasons of the resignation of the former auditors of the Group and the basis for disclaimer of opinion in respect of the Group's consolidated financial statements for the year ended 30 June 2011 (the "Forensic Investigation") and the findings of the Forensic Investigation indicate that there were possible irregularities in respect of a considerable number of past transactions and possible misstatements of certain transactions and balances recorded in the books and records of the Group which mainly concern the Group's operation involving in the BSHK Group.

Given these circumstances, the Directors have not consolidated the financial statements of the Unconsolidated Subsidiaries in the unaudited condensed consolidated financial statements. As such, the results, assets and liabilities of the Unconsolidated Subsidiaries have not been included into the unaudited condensed consolidated financial statements of the Group for the three months ended 30 September 2013. As at 30 September 2013, the amount due form the Unconsolidated Subsidiaries to the Group of approximately HK$241,347,000 of which accumulated impairment loss of approximately HK$241,347,000 was recognised in the previous years. The Directors are of the view that the carrying amounts of these amounts were not recoverable.

In the opinion of the Directors, the unaudited condensed consolidated financial statements for the three months ended 30 September 2013 prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid incomplete books and records of the Unconsolidated Subsidiaries and the result of the Forensic Investigation. However, the de-consolidation of the Unconsolidated Subsidiaries from the beginning of the year 1 July 2011 was not in compliance with the requirements of Hong Kong Accounting Standard 27 (Revised) "Consolidated and Separate Financial Statements".

4. TURNOVER

	(Unaudited) For the three months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
Sales of beauty products	**2,984**	1,260
Therapy services	**502**	1,114
Sales of beauty equipment	**—**	1,140
	3,486	3,514

5. OTHER REVENUE AND INCOME

	(Unaudited) For the three months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
Bank interest income	**1**	—
Other interest income	**2,392**	—
Sundry income	**235**	16
	2,628	16

6. FINANCE COSTS

	(Unaudited) For the three months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
Interest on other borrowing	**1,366**	666
Interest on finance leases	**2**	7
	1,368	673

7. LOSS BEFORE TAX

	(Unaudited) For the three months ended 30 September	
	2013	2012
	HK'$000	*HK$'000*
Loss before tax has been arrived at after charging:		
Staff costs including directors' remuneration	**(1,885)**	(2,813)
Depreciation of property, plant and equipment	**(591)**	(248)

8. DIVIDEND

The Board did not recommend the payment of any dividend for the three months ended 30 September 2013 (2012: Nil).

9. INCOME TAX EXPENSE

(i) No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong or the estimated assessable profit was wholly absorbed by tax losses brought forward for the three months ended 30 September 2013 (2012: Nil).

(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 30 September 2013 (2012: Nil).

(iii) The Group had no significant unprovided deferred tax assets and liabilities at 30 September 2013 (2012: Nil).

10. LOSS PER SHARE

The calculation of the basic loss per share for the three months ended 30 September 2013 was based on the loss for the period of approximately HK$165,000 (2012: loss of approximately HK$5,648,000) and on the weighted average number of 1,312,200,000 ordinary shares (2012: 1,312,200,000) in issue during the period.

Diluted loss per share for the three months ended 30 September 2013 and 30 September 2012 was the same as the basic loss per share as there was no diluting event during the periods.

11. RESERVES

			(Unaudited)		
	Share Premium	**Merger Reserve**	**Translation Reserve**	**Accumulated Losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2013	**175,357**	**22,734**	**9**	**(327,406)**	**(129,306)**
Loss for the period	**—**	**—**	**—**	**(165)**	**(165)**
Other comprehensive income for the period:					
Exchange differences on translating foreign operations	**—**	**—**	**3**	**—**	**3**
Total comprehensive income/(expenses) for the period	**—**	**—**	**3**	**(165)**	**(162)**
At 30 September 2013	**175,357**	**22,734**	**12**	**(327,571)**	**(129,468)**
At 1 July 2012	175,357	22,734	—	(303,838)	(105,747)
Loss for the period	—	—	—	(5,648)	(5,648)
Other comprehensive income for the period:					
Exchange differences on translating foreign operations	—	—	—	—	—
Total comprehensive expenses for the period	—	—	—	(5,648)	(5,648)
At 30 September 2012	175,357	22,734	—	(309,486)	(111,395)

12. MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the period:

Name of parties	Nature of transactions	2013 HK$'000	2012 HK$'000
Koffman Investment Limited ("KIL") *(Note 1)*	Interest on other borrowing	**1,366**	667
Koffman Corporate Service Limited ("KCSL") *(Note 1)*	Rental expenses	**120**	—
BSHK *(Note 2)*	Purchases of property, plant and equipment	**—**	(603)

The following balance was outstanding at the end of the reporting period:

		2013 HK$'000	2012 HK$'000
KIL *(Note 1)*	Other borrowing	**48,330**	25,349

Notes:

(1) Mr. Yu Zhen Hua, Johnny, an executive director and the chairman of the Company, is the ultimate beneficial owner of KIL and KCSL.

(2) BSHK was a former subsidiary of the Company and deconsolidated on 1 July 2011. Details of which were set out in note 3 to the unaudited condensed consolidated financial statements for the three months ended 30 September 2013.

Compensation for key management personnel

The remuneration of directors of the Group and other members of key management personnel during the period are as follows:

	2013 HK$'000	2012 HK$'000
Short-term employee benefits	**308**	324
Post-employment benefits	**4**	4
	312	328

The remuneration of directors and key management personnel is determined or proposed by the remuneration committee having regard to the performance of individuals and market trends.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

At the request of the Company, trading in the shares of the Company has been suspended since 30 September 2011 due to the delay in publication of the Group's final results announcement for the year ended 30 June 2011.

In view of the insufficient of general working capital, the Company had entered into two short-term loan agreements in normal commercial terms with Koffman Investment Limited ("KIL"), of which Mr. Yu Zhen Hua, Johnny, the chairman of the Board and an executive Director, is the ultimate beneficial owner, in the principal of HK$10.0 million and HK$20.0 million on 8 February 2012 (the "First Loan Agreement") and 27 March 2012 (the "Second Loan Agreement") respectively. All the outstanding borrowings and interest expenses accrued thereon for the First Loan Agreement had been repaid on 7 May 2012. The loan facility of the Second Loan Agreement was increased to a principal amount of HK$50.0 million in accordance with the supplementary loan agreement dated 26 June 2012. The repayment date of the all the outstanding borrowings for the Second Loan Agreement had been extended from 27 June 2012 to 31 December 2013, by entering of fifteen supplementary loan extension agreements (the "Extension Agreements") dated 26 June 2012, 26 September 2012, 26 October 2012, 26 November 2012, 7 December 2012, 31 December 2012, 15 January 2013, 31 January 2013, 28 February 2013, 2 April 2013, 30 April 2013, 31 May 2013, 28 June 2013, 31 July 2013 and 30 August 2013 respectively.

On 30 August 2013, the Company announced that on 8 August 2013, EDS (Asia) Limited ("EDS Asia"), an indirect wholly-owned subsidiary of the Company, entered into an supply agreement (the "Macau Agreement") with a member of a pharmaceutical group (the "Macau Retailer"). EDS Asia is the holding company of EDS Distribution Limited ('EDS Distribution") which is the exclusive distributor in Hong Kong of the "Evidens de Beauté" products. Pursuant to the Macau Agreement, EDS Asia has agreed to appoint the Macau Retailer as its sole and exclusive retail agent in Macau and supply the "Evidens de Beauté" products to the Macau Retailer for retail sales initially in four of its associated pharmaceutical stores in Macau up until 30 June 2015 which shall be renewed thereafter for a further term of 2 years if agreed by the parties to the Macau Agreement. The Macau Agreement is subject to the conditions precedent that (i) a consent to the extension of the exclusive distribution right of EDS Distribution to Macau or the supply of the "Evidens de Beauté" products to the Macau Retailer has been obtained from the brand owner of the "Evidens de Beauté" products; (ii) EDS Asia has provided to the Macau Retailer all the required and necessary documents and agreements entered into with the brand owner of the "Evidens de Beauté" products to the satisfaction of the Macau Retailer for verification; and (iii) the Macau Retailer has given a written notice of satisfaction within 7 days after receiving and being satisfied with all the documents and consent referred to in (i) and (ii) above confirming that all the conditions precedent are fulfilled and satisfied. The Group is in the process of fulfilling the conditions precedent.

On 30 August 2013, the Company announced that on 29 August 2013, EDS Distribution has been granted by Montaigne Limited the exclusive distributorship of the "Evidens de Beauté" products in Macau up until 30 June 2015 which shall be renewed automatically thereafter for period of 1 year each unless terminated by either party.

On 30 August 2013, the EDS International Holdings Limited ("EDS International"), a wholly-owned subsidiary of the Company, and two independent third parties (the "Vendors") entered into a legal binding term sheet (the "Term Sheet"), pursuant to which EDS International agreed to acquire and the Vendors agreed to sell 51% issued share capital (the "Sale Shares") of a company (the "Target Company") and the obligations, liabilities and debts owing by or due from the Target Company to the Vendors (the "Sale Loan") as at the completion date (the "Acquisition"). A formal sale and purchase agreement (the "Sale and Purchase Agreement") incorporating the major terms and conditions of the Term Sheet had been entered into between EDS International and the Vendors on 18 October 2013. Pursuant to the Sale and Purchase Agreement, EDS International conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the Sale Shares and the Sale Loan at the maximum consideration of HK$21.42 million. The maximum consideration shall be satisfied in the following manner: (a) a deposit of HK$2 million, being part payment of the consideration, has been paid by EDS International to the Vendors in cash upon signing of the Sale and Purchase Agreement; and (b) the remaining balance HK$19.42 million shall be satisfied by EDS International by payment of cash in HK$6 million and the balance by procuring of the Company to issue of the promissory note on the completion date. The Acquisition constitutes a very substantial acquisition on the part of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to shareholders' approval at the extraordinary general meeting of the Company. Details of the transaction were set out in the Company's announcement dated 4 November 2013.

Financial Review

Due to De-consolidation, the financial statements of the Unconsolidated Subsidiaries have not been included in the unaudited condensed consolidated financial information of the Group for the three months ended 30 September 2013.

Turnover of the Group was approximately HK$3.5 million for the three months ended 30 September 2013 of which approximately HK$3.0 million (2012: approximately HK$1.3 million), approximately HK$0.5 million (2012: approximately HK$1.1 million) and Nil (2012: approximately HK$1.1 million) were generated from the sales of beauty products, provision of therapy services and sales of beauty equipment respectively, representing a slight decrease of approximately 0.8% as compared with the corresponding period last year. The gross profit margin was approximately 29.4% as compared with a gross loss margin of approximately 46.6% recorded in the corresponding period last year.

Other income of approximately HK$2.4 million was mainly contributed by the other interest income on overdue receivable in relation to the refundable deposit of approximately HK$39.1 million.

The administrative expenses amounted to approximately HK$2.2 million, representing a decrease of approximately 34.0% over the same period last year. Such decrease was mainly contributed by the decrease of (i) legal and professional fees from approximately HK$0.5 million to approximately HK$0.2 million; (ii) rent and rate expenses from approximately HK$0.4 million to approximately HK$0.1 million; and (iii) entertainment and overseas travelling expenses in an aggregate of approximately HK$0.7 million to approximately HK$0.1 million.

The finance costs of approximately HK$1.4 million was mainly attributed to the loan interest expenses paid to KIL during the period under review.

The consolidated loss attributable to shareholders of the Company amounted to approximately HK$0.2 million (2012: approximately HK$5.7 million) for the three months ended 30 September 2013, representing a decrease of approximately 97.1% as compared with the corresponding period last year. The improvement of the Group's results was mainly contributed by (i) the turnaround of the Group's operation from gross loss margin to gross profit margin; (ii) the decrease of administrative expenses; and (iii) the record of other interest income on overdue receivable in relation to the refundable deposit.

Future Plans

In addition to entering the Sale and Purchase Agreement, the Group will continue to promote the brand and the promotion plan for the "Evidens de Beauté" products including: (i) to subscribe advertising plan with a luxury magazine in Hong Kong; (ii) to look into placing new advertisements on local monthly and weekly magazines; (iii) to arrange small group gatherings weekly with beauty editors to share news within the industry and to increase the exposure of the "Evidens de Beauté" brand; (iv) to promote and sell hampers under "Evidens de Beauté" brandname for Christmas and Chinese New Year commencing from November 2013 in order to broaden the revenue base of the Group; (v) to launch direct mailing for the periods in December 2013, February 2014, April 2014 and June 2014 respectively; (vi) to hold campaigns inviting Hong Kong popular celebrities promoting the new "Extreme" line of "Evidens de Beauté"; (vii) to carry out photo shooting for publicising the brand image and brand building; (viii) to launch Christmas promotion by providing Christmas box sets under "Evidens de Beauté" brandname and treatment privilege at Le Spa Evidens for the period from November 2013 to the end of December 2013; and (ix) to launch joint promotion program with an renowned high fashion brand in Hong Kong, with effect from November 2013.

LITIGATION

As disclosed in the Company's announcement dated 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, 25 April 2013 and 3 May 2013 respectively in relation to, among other matters, the deed of termination, entered into between Blu Spa (Hong Kong) Limited ("BSHK", a deconsolidated subsidiary) and Mr. Shum Yeung ("Mr. Shum") in relation to the termination of the acquisition of 70% equity interest of Vertical Signal Investments Limited, pursuant to which Mr. Shum shall repay BSHK the full amount of the refundable deposit of HK$45,000,000, the issuing of the writ of summons (the "Writ") in the High Court of Hong Kong Special Administrative Region by BSHK against Mr. Shum, the subsequent execution of the deed of settlement (the "Deed of Settlement") by BSHK and Mr. Shum for the settlement of legal proceedings represented by the Writ, the extension to the repayment dates for Mr. Shum to make repayment pursuant to the Deed of Settlement, the execution of the deed of assignment (the "Deed of Assignment"), the execution of a second deed of settlement (the "Second Deed of Settlement") by BSHK, the Company and Mr. Shum, the repayment proposal agreed between the Company and Mr. Shum (the "Repayment Proposal"), the new repayment proposal agreed between the Company and Mr. Shum (the "New Repayment Proposal") and the additional security provided by Dutfield International Group Company Limited to the Company for the recovery of the outstanding amount due by Mr. Shum.

As Mr. Shum defaulted to settle the outstanding amount due to the Company, the Company applied to the Court to restore the hearing of the summary judgment application and substitute BSHK as the plaintiff in the summary judgment application against Mr. Shum. On 25 July 2013, a consent order was granted by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region that, among others, the Company be granted leave to substitute BSHK as the plaintiff in the legal action against Mr. Shum. An amended statement of claim was filed on about 30 July 2013.

At the hearing of the Company's application for summary judgment held on 6 September 2013, the Court adjudged that Mr. Shum (i) 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, i.e. 8% per annum from 7 September 2013 until payment; and (ii) shall pay the Company the costs of this action including the costs of the Company's judgment to be taxed if not agreed. The Company demanded Mr. Shum's immediate payment of the judgment debt. As Mr. Shum failed to settle the judgment debt, the Company applied to the Court for garnishee orders for the recovery of the judgment debt. The hearing of the garnishee orders was held on 6 November 2013. At the hearing on 6 November 2013, the Court adjourned the hearing to 5 March 2014.

EVENTS AFTER THE REPORTING PERIOD

On 17 October 2013, the Company and KIL have entered into a supplemental loan agreement (the "Supplemental Agreement"), pursuant to which and subject to the terms and conditions of the Second Loan Agreement and the Extension Agreements, KIL has increased the loan facility available to the Company from HK$50,000,000 to up to a principal amount of HK$60,000,000 provided that the Company shall further provide KIL with a cheque drawn on a licensed bank in Hong Kong in the total amount of HK$60,000,000 dated 31 December 2013 and made payable to KIL. Subject to the changes under the Supplemental Agreement, all other terms and conditions of the Second Loan Agreement and the Extension Agreements remain the same.

As mentioned in the section headed "Business Review", on 4 November 2013, the Sales and Purchase Agreement was entered by EDS International on 18 October 2013 which constitutes a very substantial acquisition to the Company.

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

As at 30 September 2013, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise were notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules, were as follows:

Long positions in the ordinary shares of HK$0.1 each of the Company

Name of Director	**Nature of interests**	**Number of shares held**	**Approximate percentage of shareholding** *(Note 2)*
Mr. Wang Xiaofei	Personal interest	230,400,000	17.56%
Mr. Du Juanhong ("Mr. Du") *(Note 1)*	Corporate interest	106,580,000 *(Note 1)*	8.12%

Notes:

1. These shares were held by Hong Kong Wintek International Co., Limited ("Wintek") which was wholly-owned by Mr. Du who was appointed as non-executive Director on 5 March 2012. By virtue of the SFO, Mr. Du is deemed to be interested in the shares held by Wintek.

2. The percentage is calculated on the basis of 1,312,200,000 shares of the Company in issue as at 30 September 2013.

Save as disclosed above, as at 30 September 2013, 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 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 30 September 2013, 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:

Long positions in the ordinary shares of HK$0.1 each of the Company

Name of shareholder	Nature of interests	Interest in shares	Interest in underlying shares	Total interest in shares	Approximate percentage of shareholding
Wintek	Beneficial owner	106,580,000	—	106,580,000	8.12% *(Note 2)*
Eternity Investment Limited *(Note 1)*	Interest of controlled corporation *(Note 1)*	—	40,000,000 *(Note 1)*	40,000,000 *(Note 1)*	304.83% *(Note 3)*

Notes:

1. New Cove Limited ("New Cove") is interested in 40,000,000 new shares, upon the capital reorganisation as disclosed in the circular of the Company dated 24 January 2013 becoming effective, pursuant to the subscription agreement entered into between the Company and New Cove dated 21 March 2013. Subject to the fulfillment of the conditions precedent as set out in the subscription agreement, the Company shall issue convertible bonds to New Cove in the principal amount of HK$40,000,000 (the "Convertible Bonds"). The Convertible Bonds shall carry no interest and may be converted into new shares at an initial conversion price of HK$1.00 per conversion share, subject to adjustment. Eternity Investment Limited, a company listed on the Main Board of the Stock Exchange, is the ultimate holding company of New Cove, is deemed to be interested in 40,000,000 new shares. Details of the subscription agreement were set out in the circular of the Company dated 23 May 2013.

2. The percentage is calculated on the basis of 1,312,200,000 shares of the Company in issue as at 30 September 2013.

3. The percentage is calculated on the basis of 13,122,000 new shares of the Company assuming the capital reorganisation as disclosed in the circular of the Company dated 24 January 2013 becoming effective.

Save as disclosed above, as at 30 September 2013, 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 that is discloseable under Section 336 of the SFO.

COMPETING INTERESTS

As at 30 September 2013, none of the Directors, substantial shareholders of the Company nor any of their respective associates (as defined in the GEM Listing Rules) has any interest in a business which causes or may cause any significant completion 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. As at 30 September 2013, the Audit Committee comprised three independent non-executive Directors, namely, Mr. Tam B Ray Billy, Mr. Chu Kin Wang Peleus and Mr. Tse Joseph. The Audit Committee has reviewed the unaudited condensed consolidated first quarterly results for the three months ended 30 September 2013 and has provided advice and comments thereon.

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

Hong Kong, 11 November 2013

As at the date of this report, 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.