EDS Wellness Holdings Limited

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

(Stock Code: 8176)

THIRD QUARTERLY REPORT
FOR THE NINE MONTHS ENDED
31 MARCH 2014

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 GEM 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.

THIRD QUARTERLY RESULTS

The board of Directors (the "**Board**") is pleased to announce the unaudited condensed consolidated third quarterly results of the Company and its subsidiaries (the "**Group**") for the nine months ended 31 March 2014 together with the comparative audited figures for the corresponding period in 2013 as follows:

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

For the three months and nine months ended 31 March 2014

		For the three months ended 31 March		**For the nine months ended 31 March**	
		2014	2013	**2014**	2013
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	Notes	***HK'000***	*HK'000*	***HK'000***	*HK'000*
Turnover	3	**4,758**	1,012	**13,260**	5,406
Cost of sales		**(2,920)**	(2,344)	**(8,338)**	(9,123)
Gross profit/(loss)		**1,838**	(1,332)	**4,922**	(3,717)
Other revenue and income		**777**	1,738	**4,209**	1,740
Advertising and promotion expenses		**(85)**	(383)	**(734)**	(1,032)
Administrative expenses		**(3,075)**	(4,858)	**(8,169)**	(13,749)
Impairment loss recognised in respect of deposits, prepayments and other receivables		**(6)**	—	**(6)**	(90)
Finance costs	4	**(1,565)**	(981)	**(4,477)**	(2,526)
Loss before tax		**(2,116)**	(5,816)	**(4,255)**	(19,374)
Income tax expense		**—**	—	**—**	—
Loss for the period	5	**(2,116)**	(5,816)	**(4,255)**	(19,374)
Other comprehensive (expenses)/income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**(6)**	—	**1**	—
Other comprehensive (expenses)/income for the period		**(6)**	—	**1**	—
Total comprehensive expenses for the period		**(2,122)**	(5,816)	**(4,254)**	(19,374)
Loss for the period attributable to:					
Owners of the Company		**(2,116)**	(5,816)	**(4,255)**	(19,374)
Total comprehensive expenses for the period attributable to:					
Owners of the Company		**(2,122)**	(5,816)	**(4,254)**	(19,374)
Loss per share *(HK cent(s))*	8				
Basic and diluted		**(0.16)**	(0.44)	**(0.32)**	(1.48)

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 Stock Exchange. The addresses of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company in Hong Kong is 19/F., Prosperity Tower, No. 39 Queen's Road 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. BASIS OF PREPARATION OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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.

The Group has not yet early adopted any new and revised HKFRSs that have been issued but are not yet effective for the current period. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to reasonably estimate whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

The unaudited condensed consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("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 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$4,255,000 for the nine months ended 31 March 2014, 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$45,159,000 to the unaudited condensed consolidated financial statements; (ii) the extension of repayment of loan facility of approximately HK$53,050,000 granted by a company owned by an executive Director of which details were set out in the Company's announcements 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, 17 October 2013, 31 December 2013 and 13 February 2014 ; (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 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 nine months ended 31 March 2014. As at 31 March 2014, the amount due from the Unconsolidated Subsidiaries to the Group of approximately HK$241,347,000 of which accumulated impairment loss of approximately HK$241,347,000 were 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 nine months ended 31 March 2014 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".

3. TURNOVER

	For the three months ended 31 March		**For the nine months ended 31 March**	
	2014	2013	**2014**	2013
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK'000	*HK$'000*	***HK'000***	*HK$'000*
Sales of beauty equipment	**—**	—	**—**	1,140
Sales of beauty products	**4,280**	595	**11,633**	2,331
Provision of therapy services	**478**	417	**1,627**	1,935
	4,758	1,012	**13,260**	5,406

4. FINANCE COSTS

	For the three months ended 31 March		**For the nine months ended 31 March**	
	2014	2013	**2014**	2013
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK'000	*HK$'000*	***HK'000***	*HK$'000*
Interest expenses on other borrowing	**1,560**	973	**4,468**	2,505
Interest expenses on finance lease	**5**	8	**9**	21
	1,565	981	**4,477**	2,526

5. LOSS FOR THE PERIOD

	For the three months ended 31 March		For the nine months ended 31 March	
	2014	2013	**2014**	2013
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK'000	*HK$'000*	***HK'000***	*HK$'000*
Loss for the period before tax arrived at after charging				
Staff costs including directors' remunerations	**(1,537)**	(2,818)	**(5,038)**	(8,785)
Depreciation of property, plant and equipment	**(531)**	(422)	**(1,627)**	(1,054)
Impairment loss recognised in respect of deposits, prepayments and other receivables	**(6)**	—	**(6)**	(90)
Provision of inventories	**—**	—	**—**	(19)
Written off of inventories	**—**	—	**(5)**	—

6. 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 nine months ended 31 March 2014 (2013: Nil).

(ii) No provision for overseas income tax was made as the Company's overseas subsidiaries did not have taxable income for the nine months ended 31 March 2014 (2013: Nil).

(iii) The Group had no significant unprovided deferred tax assets and liabilities at 31 March 2014 (2013: Nil).

7. DIVIDEND

The Directors did not recommend payment of interim dividend for the nine months ended 31 March 2014 (2013: Nil).

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to owners of the Company for the three months ended 31 March 2014 of approximately HK$2.1 million (2013: loss attributable to owners of the Company of approximately HK$5.8 million) and loss attributable to owners of the Company for the nine months ended 31 March 2014 of approximately HK$4.3 million (2013: loss attributable to owners of the Company of approximately HK$19.4 million), and the weighted average of 1,312,200,000 shares in issue during the three months and nine months ended 31 March 2014 (2013: weighted average of 1,312,200,000 shares in issue during the three months and nine months ended 31 March 2013).

Diluted loss per share for the three months and nine months ended 31 March 2014 and 2013 were the same as the basic loss per share as there were no diluting event during the periods.

9. RESERVES

	Share capital (Unaudited) *HK$'000*	Share premium (Unaudited) *HK$'000*	Merger reserve (Unaudited) *HK$'000* *(Note 1)*	Translation reserve (Unaudited) *HK$'000* *(Note 2)*	Accumulated losses (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
At 1 July 2012	131,220	175,357	22,734	—	(303,838)	25,473
Loss for the period	—	—	—	—	(19,374)	(19,374)
Total comprehensive expenses for the period	—	—	—	—	(19,374)	(19,374)
At 31 March 2013	**131,220**	**175,357**	**22,734**	**—**	**(323,212)**	**6,099**
At 1 July 2013	131,220	175,357	22,734	9	(327,406)	1,914
Loss for the period	—	—	—	—	(4,255)	(4,255)
Other comprehensive expenses for the period						
Exchange differences arising on translation of foreign operations	—	—	—	1	—	1
Total comprehensive expense for the period	—	—	—	1	—	1
At 31 March 2014	131,220	175,357	22,734	10	(331,661)	(2,340)

10. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere to the unaudited condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

Name of party	**Nature of transactions**	**For the nine months ended 31 March** **2014** **(Unaudited)** ***HK$'000***	2013 (Unaudited) *HK$'000*
During the period, the Group entered into the following transactions with related parties:			
Koffman Investment Limited ("KIL") *(Note 1)*	Interest on other borrowing	**4,468**	2,505
Koffman Corporate Service Limited ("KCSL") *(Note 1)*	Rental expenses	**360**	—
BSHK *(Note 2)*	Sales of beauty equipment	**—**	603
The following balance was outstanding at the end of the reporting period:			
KIL *(Note 1)*	Other borrowing	**53,050**	36,700

Notes:

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

(2) BSHK was de-consolidated on 1 July 2011. Details of which were set out in note 2 to the unaudited condensed consolidated financial statements.

Compensation for key management personnel

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

	For the nine months ended 31 March	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term employee benefits	**788**	984
Post employment benefits	**10**	11
	798	995

The remuneration of Directors and key management personnel was 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 28 February 2014, by entering of sixteen 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, 30 August 2013 and 31 December 2013 respectively.

On 17 October 2013, the Company and KIL entered into a supplemental 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$50.0 million to up to a principal amount of HK$60.0 million 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$60.0 million 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.

On 13 February 2014, the Company and KIL have entered into a supplemental loan agreement (the "**Second Supplemental Agreement**"), pursuant to which and subject to the terms and conditions of the Second Loan Agreement, the Extension Agreements and the Supplemental Agreement, KIL has agreed to increase the amount of the loan facility available to the Company from HK$60.0 million to up to a principal amount of HK$80.0 million and the repayment date of all the outstanding borrowings for the Second Loan Agreement has been further extended from 28 February 2014 to 31 December 2014 (or such later date as KIL and the Company may agree in writing).

On 30 August 2013, 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 China Honest Enterprises Limited (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 share and purchase agreement, incorporating the major terms and conditions in the Term Sheet had been entered into between EDS International and the Vendors on 18 October 2013 (the "**Sale and Purchase Agreement**"). 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$2.0 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 and procuring of the Company to issue of the promissory note in an amount of HK$6.0 million and HK$13.42 million respectively 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 and circular dated 4 November 2013 and 21 March 2014 respectively. The extraordinary general meeting had been held on 8 April 2014. All the resolutions proposed to the extraordinary general meeting had been approved by the shareholders of the Company. The Acquisition had been completed on 11 April 2014.

On 7 February 2014, the Company received a letter from the Stock Exchange stated it allows trading resumption of the Company's shares subject to satisfying the following conditions by 30 April 2014:

(a) completion of the Proposed Acquisition (the "**Proposed Acquisition**") of the Target Company announced on 4 November 2013;

(b) inclusion in the shareholder circular:

    (i) profit forecasts for the years ending 30 June 2014 and 2015 on the Group as enlarged by the Target Company together with reports from the Company's auditors and financial adviser under paragraph 29(2) of Appendix 1B of the GEM Listing Rules; and

    (ii) a statement from the directors confirming working capital sufficiency for at least 12 months after resumption and a comfort letter from the auditors on the directors' statement; and

(c) provision of a confirmation from an independent professional firm that the Company has adequate internal control systems.

On 12 March 2014, the Group entered into a contract with a high end fashion chain store, pursuant to which the Group places the "Evidens de Beauté" products in one of the counterparty's shops for sale on consignment basis for a period of three months.

On 20 March 2014, the Company and Hong Kong Builders Finance Limited (the "**Lender**") entered into the a loan agreement (the "**Second HK Builders Loan Agreement**"), pursuant to which, the Lender has conditionally agreed to grant a loan in the principal amount of HK$30.0 million to the Company for a term of 36 months from the date of drawdown at an interest rate of 5% per annum. The net proceeds of the loan will be used as general working capital purpose and/or financing the future finance obligations arising from settlement of the consideration of the Acquisition. Details of the transaction were set out in the Company's announcement dated 20 March 2014.

On 11 April 2014, the Company announced that as all the resumption conditions as set out in the Stock Exchange's letter dated 7 February 2014 have been satisfied and fulfilled, an application has been made to the Stock Exchange for the resumption of trading in the shares of the Company on the GEM of the Stock Exchange with effect from 9:00 a.m. on 14 April 2014.

Financial Review

Due to de-consolidation of the Unconsolidated Subsidiaries from the beginning of the year 1 July 2011, the financial statements of the Unconsolidated Subsidiaries have not been included in the unaudited condensed consolidated financial information of the Group for the nine months ended 31 March 2014.

Turnover of the Group was approximately HK$13.3 million for the nine months ended 31 March 2014 of which approximately HK$11.6 million (2013: approximately HK$2.3 million), approximately HK$1.7 million (2013: approximately HK$1.9 million) and Nil (2013: 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 substantial increase of approximately 145.3% as compared with the corresponding period last year. The gross profit margin was approximately 37.1% as compared with a gross loss margin of approximately 68.8% recorded in the corresponding period last year.

Other revenue and income of approximately HK$4.0 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$8.2 million, representing a decrease of 40.6% over the same period last year. Such decrease was mainly contributed by the decrease of (i) staff costs including directors' remuneration from approximately HK$6.0 million to approximately HK$2.8 million; (ii) rent and rate expenses from approximately HK$1 million to approximately HK$0.4 million; and (iii) motor vehicles expenses, entertainment and overseas travelling expenses in an aggregate of approximately HK$1.8 million to approximately HK$0.2 million.

The finance costs of approximately HK$4.5 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$4.3 million (2013: approximately HK$19.4 million) for the nine months ended 31 March 2014, representing a decrease of approximately 78.0% 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

The management is of the view that the completion of the Acquisition will make a better position of the Group in the beauty and facial industry through the strengthen and broaden of the Group's scope of professional services and technological support to its customers. As the usage rate of the "Le Spa Evidens" is not in full-capacity presently and the management did not accept the terms of the new tenancy agreement offered by the landlord, the management decided to relocate the "Le Spa Evidens" to a new premises at a prime location in Central, Hong Kong with effect from mid-June 2014. The new shop shall provide therapy services and sales of beauty products. The management believes that the relocation of the "Le Spa Evidens" will maximize the economic benefit of the Group's operation by the potential increase in revenue derived from the sales of beauty products and the decrease of operating costs such as rental expenses. Moreover, as disclosed in the Company's circular dated 21 March 2014, the Group is in discussion with a renowned high fashion brand in Hong Kong for the sub-distribution of "Evidens de Beauté" products in its new concept store to be opened in Macau and certain shops in Hong Kong. The discussion is in progress and pending for the provision of further information from the brand owner including but not limited to: (i) the completion of the registration of the trademark of "Evidens de Beauté" in Macau by the brand owner; and (ii) the validation test as well as the stability test of "Evidens de Beauté" products from the brand owner. As at the date of this report, as advised by the brand owner of "Evidens de Beauté", the report of validation test and stability test of "Evidens de Beauté" products have been completed and duly provided to the counterparty and the registration of the trademark of "Evidens de Beauté" in Macau by the brand owner have been completed on 14 April 2014. The management is expected that the counterparty will place its first order in June 2014 and the new point of sale in Macau will be opened by the end of July 2014. In addition, the Group is in discussion with a well-known department store in Hong Kong for opening a new point of sale in its store located at Tsimshatsui, Kowloon by the end of 2014. In May 2014, the Group launched an ongoing joint promotion program to collaborate with one of the high-end and luxury watches manufacturer. In addition, the Group will continue to promote the brand of the "Evidens de Beauté" products including but not limited to:(i) to subscribe advertising plan with a luxury magazine in Hong Kong; (ii) to arrange small group gatherings with beauty editors to share news within the industry and to increase the exposure of the "Evidens de Beauté" brand; (iii) to place advertisements in social mobile media; and (iv) to look for new locations which enable the Group to expand its distribution channel.

EVENT AFTER THE REPORTING PERIOD

(a) Appointment Mandate

On 7 April 2014, the Company despatched a circular in which the Board proposed to seek for the approval from the Company's shareholder of the proposed grant of the appointment mandate to provide flexibility to the Board to cope with any possible needs to appoint additional Directors in the future for the developmental needs of the business of the Group in accordance with the requirements under the laws of Bermuda. The extraordinary general meeting had been held on 30 April 2014 and all the proposed resolutions had been approved by the Company's shareholders.

(b) Very Substantial Acquisition

On 11 April 2014, the Company announced that all conditions precedent to the Acquisition has been fulfilled and the completion of the Acquisition took place on 11 April 2014. Upon completion, the Target Company has become a 51% indirect owned subsidiary of the Company and its results, assets and liabilities will be consolidated into the financial statements of the Company.

(c) Change of Domicile and Capital Reorganisation

On 23 April 2014, the Company announced that the Company has been deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda (the "**Change of Domicile**") and the Change of Domicile became effective on 22 April 2014 (Bermuda time). In connection with the Change of Domicile, the memorandum of continuance and Bye-laws have been adopted by the Company with effect from 22 April 2014 (Bermuda time).

After the Change of Domicile becoming effective on 22 April 2014 (Bermuda time), the Directors will reorganise the capital of the Company (the "**Capital Reorganisation**") in the following manner:

(i) the par value of each of the issued share of the Company of HK$0.10 shall be reduced to HK$0.001 by cancelling the paid-up capital to the extent of HK$0.099 on each issued share of the Company (the "**Capital Reduction**");

(ii) the credit of HK$129,907,800.00 arising from the Capital Reduction will be transferred to the contributed surplus account of the Company. Together with the balance of HK$175,357,082.10 to be transferred from the share premium account of the Company, the balance of the contributed surplus account of the Company will become HK$305,264,882.10 upon the Capital Reduction becoming effective. An amount of HK$278,123,606.72 will be drawn from the contributed surplus account of the Company and will be applied to set off against the accumulated losses of the Company; and

(iii) after the Capital Reduction, effect a consolidation of the issued shares of the Company whereby every one hundred issued shares of HK$0.001 each in the share capital of the Company will be consolidated into one issued consolidated share of HK$0.10 each.

As all the conditions precedent of the Capital Reorganisation as set out in the Company's circular dated 24 January 2013 has been satisfied and fulfilled, the Capital Reorganisation had been completed on 13 May 2014.

(d) Writ of Summons

On 28 April 2014, the Company received a writ of summons (the "**Writ of Summons**") from the People's Court of Huadu District, Guangzhou City, Guangdong Province of the People's Republic of China. Pursuant to the two writs of civil proceedings enclosed with the Writ of Summons, the plaintiff, a property management company, alleges that the Company shall be jointly liable for the payment of the outstanding management fees and utilities and miscellaneous fees. Details of the litigation is set out under the section headed "Litigation" in this report.

LITIGATION

(a) 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 "**Summary Judgment**"), 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 (the "**Garnishee Orders**") and charging orders (the "**Charging Orders**") for the recovery of the judgment debt. The hearing of the Garnishee Orders and Charging Orders was originally fixed to be heard on 6 November 2013. However, Mr. Shum made an application to the Court on 4 November 2013 for staying the proceedings for the Charging Orders and the Garnishee Orders and setting aside the Summary Judgment. The Company asked for the adjournment of hearing on 6 November 2013 in order to file and serve affirmation in opposition to Mr. Shum's application. The application for making the Charging Orders and Garnishee Orders and Mr. Shum's application was therefore adjourned to be heard on 5 March 2014. The Court did not make judgment at the close of the hearing and will hand down the judgment later. As at the date of this report, the judgment has not yet been handed down by the Court.

(b) As disclosed in the Company's announcement dated 12 May 2014, on 28 April 2014, the Company received a writ of summons (the "**Writ of Summons**") from the People's Court of Huadu District, Guangzhou City, Guangdong Province of the People's Republic of China.

Pursuant to the two writs of civil proceedings (the "**Writs of Civil Proceedings**") enclosed with the Writ of Summons, the plaintiff 廣州市溢盈物業管理服務有限公司 (Guangzhou Yiying Property Management Services Co. Ltd.#) ("**Yiying**"), a property management company, alleges that, among others, (i) 廣州市雅基置業有限公司 (Guangzhou Yaji Properties Co. Ltd.#) ("**Yaji**") has defaulted in payment of the management fees and utilities and miscellaneous fees in the aggregate amount of RMB2,868,001.50 in respect of certain commercial properties owned by Yaji in Huadu District, Guangzhou City (the "**Properties**") for the period from February 2012 to January 2014; and (ii) after the Properties had been sold and transferred to Yaji by 廣州市花都佳業房地產開發有限公司 (Guangzhou Huadu Jiaye Property Development Co. Ltd.#) ("**Jiaye**"), Yaji continued to default in payment of the management fees and as Yaji did not have enough capacity for payment, upon discussion between the parties, Yaji, the Company, Yiying and Jiaye entered into a letter of confirmation (the "**Letter of Confirmation**") on 26 November 2010 providing that the obligations which should be performed by Yaji in relation to the management of the Properties would be assumed and performed by the Company. As such, the Company shall be jointly liable for the payment of the outstanding management fees and utilities and miscellaneous fees.

Under the Writs of Civil Proceedings, Yiying requests the People's Court of Huadu District to:

(i) order Yaji and the Company to forthwith and jointly pay to Yiying the outstanding management fees from February 2012 to January 2014 in the aggregate amount of RMB2,865,507.90 and the default payment until the day of actual repayment (which is in the aggregate amount of RMB1,369,098.68 as at 31 January 2014), totalling RMB4,234,606.58;

(ii) order Yaji and the Company to forthwith and jointly pay to Yiying the outstanding utilities and miscellaneous fees from February 2012 to January 2014 in the aggregate amount of RMB2,493.60 and the interest loss until the day of actual repayment (which is in the aggregate amount of RMB304.00 as at 31 January 2014), totalling RMB2,797.60;

(iii) order the appraisal fee of RMB7,500.00 for the security for the application for preservation of property be borne jointly by Yaji and the Company; and

(iv) order all costs of the legal proceedings be borne jointly by Yaji and the Company.

With reference to the announcements of the Company dated 30 April 2010, 5 April 2012, 4 July 2012, 24 July 2012, 3 August 2012, 21 August 2012, 28 September 2012, 26 October 2012, 1 November 2012, 21 December 2012, 29 January 2013 and 25 April 2013 in relation to, among others, the proposed acquisition of a company which held the entire equity interest in Yaji, the termination of such proposed acquisition and the legal proceedings against Mr. Shum Yeung. Although Yaji was once a wholly-owned subsidiary of the target company to be acquired by the Group, such proposed acquisition was terminated and the Group has never acquired any equity interest in Yaji.

Having examined a copy of the Letter of Confirmation enclosed with the Writ of Summons, reviewed the internal records of the Company and enquired with the former management of the Company at the relevant times, the Company considers that the signature of the alleged representative of the Company on the Letter of Confirmation was not signed by any authorised representative of the Company and may be forged for, among others, the following reasons:

(i) the signature of the alleged representative of the Company on the Letter of Confirmation was different from those of the former directors and the chief executive officer of the Company at the relevant times;

(ii) the company chop affixed to the Letter of Confirmation was not the one commonly used by the Company for the execution of documents;

(iii) the style of the signature and the handwriting of the date of execution of the alleged representative of the Company highly resembles those of Yaji on the same Letter of Confirmation;

(iv) the internal records of the Company do not show that the Company has executed or approved the Letter of Confirmation; and

(v) the former chairman and executive director, the former vice-chairman and executive director and the former chief executive officer of the relevant times have confirmed that (a) they had never seen or signed the Letter of Confirmation; (b) the Letter of Confirmation had never been tabled for discussion in any meetings of directors they attended and they had never passed any resolution in any meeting of directors of the Company to approve the Letter of Confirmation or authorised any person to represent the Company to sign the Letter of Confirmation; and (c) they are not aware of any person having signed the Letter of Confirmation for and on behalf of the Company.

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

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

As at 31 March 2014, 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 Directors	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 a 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 31 March 2014.

Save as disclosed above, as at 31 March 2014, 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 31 March 2014, 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 shareholders	Nature of interests	Interest in shares	Interest in underlying shares	Total interest in shares	Approximate percentage of shareholding
Wintek *(Note 2)*	Beneficial owner	106,580,000	—	106,580,000	8.12%
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)*

Note:

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 31 March 2014.

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

Save as disclosed above, as at 31 March 2014, 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 PERSON'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

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 31 March 2014, 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 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 and 5.29 of the GEM Listing Rules. As at 31 March 2014, the Audit Committee comprises 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 third quarterly results for the nine months ended 31 March 2014 and has provided comments thereon

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

Hong Kong, 14 May 2014

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.