EDS Wellness Holdings Limited

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

(Stock Code: 8176)

FIRST QUARTERLY REPORT
FOR THE THREE MONTHS ENDED
30 SEPTEMBER 2014

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

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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 2014 together with the comparative unaudited figures for the corresponding period in 2013 as follows:

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

For the three months ended 30 September 2014

		(Unaudited) For the three months ended 30 September	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Turnover	3	**10,923**	3,486
Cost of sales		**(7,474)**	(2,461)
Gross profit		**3,449**	1,025
Other income	4	**1,216**	2,628
Selling and distribution costs		**(625)**	(273)
Administrative expenses		**(3,392)**	(2,177)
Finance costs	5	**(959)**	(1,368)
Loss before tax	6	**(311)**	(165)
Income tax expense	8	**(388)**	—
Loss for the period		**(699)**	(165)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**1**	3
Other comprehensive income for the period		**1**	3
Total comprehensive expenses for the period		**(698)**	(162)
Loss for the period attributable to:			
Owners of the Company		**(1,651)**	(165)
Non-controlling interests		**952**	—
		(699)	(165)
Total comprehensive expenses for the period attributable to:			
Owners of the Company		**(1,650)**	(162)
Non-controlling interests		**952**	—
		(698)	(162)
Loss per share (HK cents)	9		(Restated)
Basic and diluted		**(3.33)**	(1.26)

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 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 of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company 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.

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 the development, distribution 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 2014. 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 Standard ("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 2014.

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.

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 (together "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. The estimated loss to the Group arising from the winding-up of BSHK will be approximately HK$1.2 million. Details of which were set out in the Company's announcement dated 19 February 2013.

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 indicated 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 (the "De-consolidation"). 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 2014. As at 30 September 2014, the amount due from the Unconsolidated Subsidiaries to the Group of approximately HK$241,426,000 of which accumulated impairment loss of approximately HK$241,426,000 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 three months ended 30 September 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

	(Unaudited) For the three months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
Sales of beauty products	**738**	2,984
Therapy services	**10,185**	502
	10,923	3,486

4. OTHER INCOME

	(Unaudited) For the three months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
Bank interest income	**30**	1
Other interest income	**789**	2,392
Sundry income	**397**	235
	1,216	2,628

5. FINANCE COSTS

	(Unaudited) For the three months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
Interest on other borrowings	**385**	1,366
Interest on finance leases	**22**	2
Imputed interest on convertible bonds	**376**	—
Imputed interest on promissory notes	**176**	—
	959	1,368

6. LOSS BEFORE TAX

	(Unaudited) For the three months ended 30 September	
	2014	2013
	HK'$000	*HK$'000*
Loss before tax has been arrived at after charging:		
Staff costs including directors' remuneration	**(3,882)**	(1,885)
Depreciation of property, plant and equipment	**(1,160)**	(591)

7. DIVIDEND

The Board did not recommend the payment of any dividend for the three months ended 30 September 2014 (2013: Nil).

8. INCOME TAX EXPENSE

	(Unaudited) For the three months ended 30 September	
	2014	2013
	HK'$000	*HK$'000*
Current tax:		
Hong Kong	**450**	—
Deferred tax:		
Arising on imputed interest on convertible bonds	**(62)**	—
Total income tax recognised in consolidated statement of profit or loss and other comprehensive income	**388**	—

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year. The PRC subsidiary is subject to the PRC Enterprise Income Tax at 25% for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. LOSS PER SHARE

The calculation of the basic loss per share for the three months ended 30 September 2014 is based on the loss attributable to owners of the Company for the period of approximately HK$1,651,000 (2013: loss of approximately HK$165,000) and on the weighted average of 49,547,989 shares in issue during the three months ended 30 September 2014 (2013: 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 30 September 2014 and 30 September 2013 was the same as the basic loss per share as the impact of the convertible bonds were anti-dilutive effects and had no dilutive effect during the period respectively.

10. RESERVES

	(Unaudited) Attributable to owners of the Company							(Unaudited)	
	Share premium	Merger reserve	Contributed surplus	Convertible notes reserve	Translation reserve	Accumulated losses	Sub-total	Attributable to non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2014	—	22,734	27,141	8,934	10	(61,050)	(2,231)	1,861	(370)
Loss for the period	—	—	—	—	—	(1,651)	(1,651)	952	(699)
Other comprehensive income for the period:									
Exchange differences on translating foreign operations	—	—	—	—	1	—	1	—	1
Total comprehensive expenses for the period	—	—			1	(1,651)	(1,650)	952	(698)
Conversion of convertible bonds	36,658	—	—	(8,934)	—	—	27,724	—	27,724
Issue of new shares on open offer, net	53,719	—	—	—	—	—	53,719	—	53,719
Issue of placing shares, net	7,653	—	—	—	—	—	7,653	—	7,653
At 30 September 2014	98,030	22,734	27,141	—	11	(62,701)	85,215	2,813	88,028
At 1 July 2013	175,357	22,734	—	—	9	(327,406)	(129,306)	—	(129,306)
Loss for the period	—	—	—	—	—	(165)	(165)	—	(165)
Other comprehensive income for the period:									
Exchange differences on translating foreign operations	—	—	—	—	3	—	3	—	3
Total comprehensive expenses for the period	—	—	—	—	3	(165)	(162)	—	(162)
At 30 September 2013	175,357	22,734	—	—	12	(327,571)	(129,468)	—	(129,468)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Following the resumption of the trading in shares of the Company with effect from 14 April 2014 and the effective of the capital reorganisation of the Company on 13 May 2014, the Company announced that the subscription for the convertible bonds (the "Convertible Bonds") in the principal amount of HK$40.0 million was completed on 22 May 2014. On 2 July 2014 and 30 September 2014, the subscriber of the Convertible Bonds converted the Convertible Bonds in the principal amount of HK$25,000,000.00 into 25,000,000 shares of the Company and HK$15,000,000.00 into 15,000,000 shares of the Company respectively.

On 15 August 2014, the Company and Kingston Securities Limited (the "Placing Agent") entered into a placing agreement (the "Placing Agreement"), pursuant to which the Company had conditionally agreed to place, through the Placing Agent on a best effort basis, 2,620,000 placing shares to currently expected not less than six placees at a price of HK$3.15 per placing share (the "Placing"). The net price for each Placing share was approximately HK$3.00. The gross proceeds and the net proceeds after deducting relevant expenses from the Placing will be approximately HK$8.25 million and approximately HK$7.86 million respectively. The Board intended to apply approximately HK$7.54 million and approximately HK$0.32 million of the net proceeds of the Placing for the repayment of all the outstanding loan indebted to Hong Kong Builders Finance Limited and general working capital of the Group respectively. The Placing was completed on 28 August 2014. Together with the application of the net proceeds of HK$54.0 million raised by the open offer, as announced by the Company on 25 June 2014, completed on 11 August 2014 for the repayment of the loan to Hong Kong Builders Finance Limited, the Company has repaid all its interest bearing borrowings.

During the period under review, the revenue of the Group was approximately HK$10.9 million (2013: approximately HK$3.5 million), representing an increase of approximately 213.4% over the last corresponding period.

Revenue contributed from the brand "Evidens de Beauté" was approximately HK$0.7 million (2013: approximately HK$3.4 million), accounting for approximately 6.5% of total Group revenue, representing a decrease of approximately 79.0% over the last corresponding period. The slowdown of the growth of the number of Mainland visitors to Hong Kong and the weakening of the Mainland tourists' spending power affected the growth of sales in that category. "Evidens de Beauté" products are luxury skin care products which were most affected by the decline in the growth of the number of Mainland visitors to Hong Kong and their spending power.

China Honest Enterprises Limited ("China Honest"), the 51% owned subsidiary of the Company acquired on 11 April 2014, became the largest revenue contributor. During the period under review, revenue contributed by China Honest was approximately HK$10.2 million, accounting for approximately 93.5% of the total Group revenue.

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 2014.

During the period under review, the Group recorded a turnover of approximately HK$10.9 million, representing an increase of approximately 213.4% as compared with last corresponding period, of which approximately HK$0.7 million (2013: approximately HK$3.0 million) and approximately HK$10.2 million (2013: approximately HK$0.5 million) were generated from the sales of beauty products and provision of therapy services respectively.

Revenue derived from the sale of beauty products and the provision of therapy services under the brand name "Evidens de Beauté" in the current period was approximately HK$0.5 million (2013: approximately HK$2.9 million) and approximately HK$0.2 million (2013: approximately HK$0.4 million) respectively.

Revenue derived from the sale of beauty products and the provision of therapy services by China Honest in the current period was approximately HK$0.3 million and HK$9.9 million respectively.

Other revenue and income of approximately HK$1.2 million (2013: approximately HK$2.6 million) was mainly contributed by the other interest income of approximately HK$0.8 million on overdue receivable in relation to the refundable deposits of approximately HK$39.1 million and gain on disposal of intangible assets of approximately HK$0.3 million.

The gross profit margin was approximately 31.6% (2013: approximately 29.4%). The improvement was contributed by China Honest of which its products and therapy services has a relatively higher gross profit margin than that of the brand Evidens de Beauté.

The selling and distribution costs was approximately HK$0.6 million (2013: approximately HK$0.3 million), representing an increase of 129.0% over the last corresponding period. Such increase was mainly attributed to advertising expenses from approximately HK$83,000 to approximately HK$449,000. The increase was mainly incurred by China Honest which was consolidated during the period under review.

The administrative expenses was approximately HK$3.4 million (2013: approximately HK$2.2 million), representing an increase of 55.8% over the last corresponding period. Such increase was mainly resulted from the completion of the acquisition of China Honest, of which its operating results was consolidated in the period under review. The increase comprise (i) legal and professional fee of approximately HK$0.4 million; (ii) depreciation charge of approximately HK$0.2 million, (iii) staff cost (including director remuneration) and staff recruitment expenses of approximately HK$0.2 million; (iv) entertainment expenses of approximately HK$0.1 million; (v) computer and telecommunication expenses of approximately HK$0.1 million; and (vi) cleaning and sundries expenses of approximately HK$0.1 million.

The finance costs of HK$0.9 million was mainly attributed to (i) the loan interest expenses paid to Hong Kong Builders Finance Limited; and (ii) the imputed interest arising from the convertible bonds and promissory notes during the period under review.

The consolidated loss attributable to owners of the Company amounted to approximately HK$1.6 million for the period ended 30 September 2014 (2013: approximately HK$0.2 million). The deterioration of the results was mainly attributed to unsatisfactory performance of the business segment under the brand name Evidens de Beauté.

Outlook

The retail market in Hong Kong will be inevitably affected by the recent political demonstrations and the drop of the Mainland tourists' spending power. The management is cautious on these detrimental factors and shall adopt a relatively conservative approach in business development. As such, the Group had not renewed the tenancy agreement of the point of sale located at Causeway Bay upon its expiry on 24 October 2014 and had withdrawn the plan to open two points of sale in a shopping mall located at Repulse Bay and in a well-known department store located at Tsimshatsui respectively due to the fact that the terms of the tenancy agreement could not be agreed by the Group and the landlords. The management is of the opinion that the continuous decline in the retail market in Hong Kong will not be able to allow support of the building of retail channels in these areas. With the continuous promotion of the brand "Evidens de Beauté" and the services and products offered by China Honest, including: (a) to subscribe advertising plan with a luxury magazine in Hong Kong; (b) to arrange small group gatherings with beauty editors to share news within the industry and to increase the brand awareness; and (c) to place advertisements in social mobile media, the Group will adopt another relatively cost effective strategy to extend its distribution channel on consignment basis.

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 of 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.

Three hearings were held by the People's Court of Huadu District on 16 June 2014, 30 June 2014 and 15 August 2014 respectively. On 24 September 2014, the Group received the judgments of the Civil Proceedings (the "Judgments") issued by the People's Court of Huadu District, Guangzhou City on 19 September 2014, Guangdong Province of the People's Republic of China (the "People's Court"), pursuant to which, the People's Court made the following principal orders:

(i) order Yaji to pay to Yiying within 10 days from the date of the Judgments the outstanding management fees in the total sum of RMB2,616,333.30 and the default payment until the day of actual repayment;

(ii) dismiss the claims against the Company set out in the Writs of Civil Proceedings.

Pursuant to the Judgments, Yaji and Yiying may, within 15 days from receipt of the Judgments, lodge an appeal to the Intermediate People's Court of Guangzhou City, Guangdong Province of the People's Republic of China against the Judgments and the Company may, within 30 days from receipt of the Judgments, lodge an appeal to the Intermediate People's Court of Guangzhou City, Guangdong Province of the People's Republic of China against the Judgments. As advised by the Company's legal adviser in the PRC, Yaji had lodged an appeal to the Intermediate People's Court of Guangzhou City, Guangdong Province of the People's Republic of China. The hearing for the second instance has not been fixed as at the date of this report.

EVENTS AFTER THE REPORTING PERIOD

(a) On 15 October 2014, the Company announced that the financial year end date of the Group has been changed from 30 June to 31 December commencing from the financial year ending 31 December 2014 with immediate effect. Details of the change of the Group's financial year end date were set out in the Company's announcement dated 15 October 2014.

(b) On 11 November 2014, the Company announced that there may be a possible negative impact on the profit forecast, as disclosed in the Company's circular dated 21 March 2014, for the 12-month period ending 30 June 2015 due to the occurrence of certain events. Details of which were set out in the Company's announcement dated 11 November 2014.

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 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 30 September 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 shareholder	Nature of interests	Interest in shares	Interest in underlying shares	Total interest in shares	Approximate percentage of shareholding
Eternity Investment Limited *(Note 1)*	Interest of controlled corporation *(Note 1)*	52,500,000	—	52,500,000	70.18% *(Note 2)*

Notes:

1. New Cove Limited ("New Cove") is interested in 52,500,000 shares. 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 such 52,500,000 shares.

2. The percentage is calculated on the basis of 74,803,000 shares of the Company in issue as at 30 September 2014.

Save as disclosed above, as at 30 September 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 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 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 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 2014, the Audit Committee comprised 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 for the three months ended 30 September 2014 and has provided advice and comments thereon.

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

Hong Kong, 13 November 2014

As at the date of this report, the Board comprises four executive Directors, namely Mr. Yu Zhen Hua Johnny, Mr. Chan Kin Wah Billy, Mr. Wang Shangzhong and Mr. Lee Chan Wah; and three independent non-executive Directors, namely Mr. Tam B Ray, Billy, Mr. Chu Kin Wang, Peleus and Mr. Tse Joseph.