



## **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  
30 SEPTEMBER 2015**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “Directors”) of EDS Wellness Holdings Limited (the “Company”) collectively and individually accept full 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](http://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](http://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 (collectively, the “**Group**”) for the nine months ended 30 September 2015 together with the comparative unaudited figures for the corresponding period in 2014 as follows:

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

*For the three months and nine months ended 30 September 2015*

|  | Notes | For the three months<br>ended 30 September |                                 | For the nine months<br>ended 30 September |                                 |
|--|-------|--|---------------------------------|---|---------------------------------|
|  |       | 2015<br>(Unaudited)<br>HK\$'000            | 2014<br>(Unaudited)<br>HK\$'000 | 2015<br>(Unaudited)<br>HK\$'000           | 2014<br>(Unaudited)<br>HK\$'000 |
| Turnover   | 3     | 11,667                                     | 10,923                          | 32,370                                    | 30,003                          |
| Cost of sales  |       | <u>(8,277)</u>                             | <u>(7,474)</u>                  | <u>(23,639)</u>                           | <u>(18,653)</u>                 |
| Gross profit   |       | 3,390                                      | 3,449                           | 8,731                                     | 11,350                          |
| Other revenue  | 4     | 84   | 1,216                           | 226                                       | 2,968                           |
| Selling and distribution costs   |       | (552)                                      | (625)                           | (1,457)                                   | (972)                           |
| Administrative expenses  |       | (12,468)                                   | (3,392)                         | (23,694)                                  | (16,858)                        |
| Impairment loss recognised in<br>respect of deposits, prepayments<br>and other receivables |       | <u>—</u>                                   | <u>—</u>                        | <u>—</u>                                  | <u>(80)</u>                     |
| Loss from operations   |       | (9,546)                                    | 648                             | (16,194)                                  | (3,592)                         |
| Finance costs  | 5     | <u>(272)</u>                               | <u>(959)</u>                    | <u>(734)</u>                              | <u>(4,711)</u>                  |
| Loss before taxation   |       | (9,818)                                    | (311)                           | (16,928)                                  | (8,303)                         |
| Income tax expense   | 7     | <u>(286)</u>                               | <u>(388)</u>                    | <u>(634)</u>                              | <u>(875)</u>                    |
| <b>Loss for the period</b>   | 6     | <u>(10,104)</u>                            | <u>(699)</u>                    | <u>(17,562)</u>                           | <u>(9,178)</u>                  |
| <b>Other comprehensive (expenses)/<br/>income for the period</b>                           |       |  |                                 |   |                                 |
| <b>Items that may be reclassified<br/>subsequently to profit or loss:</b>                  |       |  |                                 |   |                                 |
| Exchange differences on<br>translating foreign operations                                  |       | <u>(87)</u>                                | <u>1</u>                        | <u>(72)</u>                               | <u>(5)</u>                      |
| Total comprehensive expenses for<br>the period   |       | <u>(10,191)</u>                            | <u>(698)</u>                    | <u>(17,634)</u>                           | <u>(9,183)</u>                  |

|   | For the three months<br>ended 30 September  |                                | For the nine months<br>ended 30 September |                                |
|---|---|--------------------------------|---|--------------------------------|
|   | 2015  | 2014                           | 2015                                      | 2014                           |
|   | <i>Notes</i> (Unaudited)<br><b>HK\$'000</b> | (Unaudited)<br><i>HK\$'000</i> | (Unaudited)<br><b>HK\$'000</b>            | (Unaudited)<br><i>HK\$'000</i> |
| <b>(Loss)/ profit for the period<br/>attributable to:</b>                             |   |                                |   |                                |
| Owners of the Company   | <b>(10,629)</b>                             | (1,651)                        | <b>(18,989)</b>                           | (11,280)                       |
| Non-controlling interests   | <b>525</b>                                  | 952                            | <b>1,427</b>                              | 2,102                          |
|   | <b><u>(10,104)</u></b>                      | <u>(699)</u>                   | <b><u>(17,562)</u></b>                    | <u>(9,178)</u>                 |
| <b>Total comprehensive (expenses)/<br/>income for the period<br/>attributable to:</b> |   |                                |   |                                |
| Owners of the Company   | <b>(10,716)</b>                             | (1,650)                        | <b>(19,061)</b>                           | (11,285)                       |
| Non-controlling interests   | <b>525</b>                                  | 952                            | <b>1,427</b>                              | 2,102                          |
|   | <b><u>(10,191)</u></b>                      | <u>(698)</u>                   | <b><u>(17,634)</u></b>                    | <u>(9,183)</u>                 |
| <b>Loss per share (HK cent(s))</b>  | <b>9</b>                                    |                                |   |                                |
| Basic and diluted   | <b><u>(14.2)</u></b>                        | <u>(3.3)</u>                   | <b><u>(25.4)</u></b>                      | <u>(44.4)</u>                  |

The accompanying notes forms an integral part of these condensed consolidated financial statements.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

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

The unaudited condensed consolidated financial statements are presented in units of thousands of Hong Kong dollars (HK\$’000), unless otherwise stated, which is the same as the functional currency of the Company.

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

### 2. BASIS OF PREPARATION

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

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

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

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective for the nine months ended 30 September 2015.

### 3. TURNOVER

|                               | For the three months ended<br>30 September |  | For the nine months ended<br>30 September |  |
|-------------------------------|--|--|---|--|
|                               | 2015<br>(Unaudited)<br><i>HK\$'000</i>     | 2014<br>(Unaudited)<br><i>HK\$'000</i> | 2015<br>(Unaudited)<br><i>HK\$'000</i>    | 2014<br>(Unaudited)<br><i>HK\$'000</i> |
| Sale of beauty products       | 1,068                                      | 738                                    | 3,192                                     | 9,922                                  |
| Provision of therapy services | 10,599                                     | 10,185                                 | 29,178                                    | 20,081                                 |
|                               | <u>11,667</u>                              | <u>10,923</u>                          | <u>32,370</u>                             | <u>30,003</u>                          |

### 4. OTHER REVENUE

|  | For the three months ended<br>30 September |  | For the nine months ended<br>30 September |  |
|--|--|--|---|--|
|  | 2015<br>(Unaudited)<br><i>HK\$'000</i>     | 2014<br>(Unaudited)<br><i>HK\$'000</i> | 2015<br>(Unaudited)<br><i>HK\$'000</i>    | 2014<br>(Unaudited)<br><i>HK\$'000</i> |
| Gain on disposal of property, plant and<br>equipment | —  | —                                      | 12  | 183                                    |
| Interest income on bank deposits                     | 83   | 30                                     | 212                                       | 43                                     |
| Other interest income                                | —  | 789                                    | —   | 2,341                                  |
| Sundry income  | 1  | 397                                    | 2   | 401                                    |
|  | <u>84</u>                                  | <u>1,216</u>                           | <u>226</u>                                | <u>2,968</u>                           |

### 5. FINANCE COSTS

|   | For the three months ended<br>30 September |  | For the nine months ended<br>30 September |  |
|---|--|--|---|--|
|   | 2015<br>(Unaudited)<br><i>HK\$'000</i>     | 2014<br>(Unaudited)<br><i>HK\$'000</i> | 2015<br>(Unaudited)<br><i>HK\$'000</i>    | 2014<br>(Unaudited)<br><i>HK\$'000</i> |
| Imputed interest on convertible bonds                         | —  | 376                                    | —   | 787                                    |
| Imputed interest on promissory notes                          | —  | 176                                    | 351                                       | 502                                    |
| Interest expenses on finance leases                           | 22   | 22                                     | 65  | 46                                     |
| Interest on other borrowings wholly<br>payable within 5 years | 250  | 385                                    | 318                                       | 3,376                                  |
|   | <u>272</u>                                 | <u>959</u>                             | <u>734</u>                                | <u>4,711</u>                           |

## 6. LOSS FOR THE PERIOD

|  | For the three months ended<br>30 September |  | For the nine months ended<br>30 September |  |
|--|--|--|---|--|
|  | 2015<br>(Unaudited)<br><i>HK\$'000</i>     | 2014<br>(Unaudited)<br><i>HK\$'000</i> | 2015<br>(Unaudited)<br><i>HK\$'000</i>    | 2014<br>(Unaudited)<br><i>HK\$'000</i> |
| Loss for the period before tax arrived at after charging |  |  |   |  |
| Staff costs including directors' remunerations           | <b>10,609</b>                              | 3,882                                  | <b>22,272</b>                             | 9,260                                  |
| Depreciation of property, plant and equipment            | <b>1,217</b>                               | 1,160                                  | <b>3,570</b>                              | 2,788                                  |
| Operating lease rentals in respect of rented premises    | <b>1,989</b>                               | 1,580                                  | <b>5,137</b>                              | 4,394                                  |
| Loss on disposal of property, plant and equipment        | —  | —                                      | —   | 1,816                                  |
| Written down of property, plant and equipment            | —  | —                                      | —   | 2                                      |
| Written off of deposits                                  | —  | —                                      | —   | 6                                      |
| Written off of inventories                               | —  | —                                      | —   | 1                                      |
| Written off of trade receivables                         | —  | —                                      | —   | 2                                      |
|  | <b>=====</b>                               | <b>=====</b>                           | <b>=====</b>                              | <b>=====</b>                           |

## 7. INCOME TAX EXPENSE

- (i) Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the nine months ended 30 September 2015.
- (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 30 September 2015 (2014: Nil).
- (iii) The Group had no significant unprovided deferred tax assets and liabilities at 30 September 2015 (2014: Nil).

## 8. DIVIDEND

The Directors did not recommend payment of interim dividend for the nine months ended 30 September 2015 (2014: Nil).

## 9. LOSS PER SHARE

|   | For the three months ended<br>30 September |  | For the nine months ended<br>30 September |  |
|---|--|--|---|--|
|   | 2015<br>(Unaudited)<br><i>HK\$'000</i>     | 2014<br>(Unaudited)<br><i>HK\$'000</i> | 2015<br>(Unaudited)<br><i>HK\$'000</i>    | 2014<br>(Unaudited)<br><i>HK\$'000</i> |
| Loss for the period attributable to owners<br>of the Company  | <u><b>10,629</b></u>                       | <u>1,651</u>                           | <u><b>18,989</b></u>                      | <u>11,280</u>                          |
|   | <b>(Unaudited)</b><br><i>'000</i>          | (Unaudited)<br><i>'000</i>             | <b>(Unaudited)</b><br><i>'000</i>         | (Unaudited)<br><i>'000</i>             |
| Weighted average number of ordinary<br>shares for the purpose of basic and<br>diluted loss per shares | <u><b>74,803</b></u>                       | <u>49,548</u>                          | <u><b>74,803</b></u>                      | <u>25,397</u>                          |

Diluted loss per share for the three months ended and nine months ended 30 September 2015 were the same as the basic loss per share as there were no dilutive event.

Diluted loss per share for the three months ended and nine months ended 30 September 2014 were the same as the basic loss per share as the Company's outstanding convertible bonds were anti-dilutive and had no dilutive effect.



## 10. RESERVES

|  | Attributable to owners of the Company |                           |                            |                                 |                                       |                                 |                                |                       | Non-controlling interests<br>HK\$'000 | Total equity<br>HK\$'000 |
|--|---------------------------------------|---------------------------|----------------------------|---------------------------------|---------------------------------------|---------------------------------|--------------------------------|-----------------------|---------------------------------------|--------------------------|
|  | Share capital<br>HK\$'000             | Share premium<br>HK\$'000 | Merger reserve<br>HK\$'000 | Contributed surplus<br>HK\$'000 | Convertible bonds reserve<br>HK\$'000 | Translation reserve<br>HK\$'000 | Accumulated losses<br>HK\$'000 | Sub-Total<br>HK\$'000 |                                       |                          |
| At 1 January 2015 (audited)                                      | 7,480                                 | 97,922                    | —                          | 27,141                          | —                                     | 11                              | (87,255)                       | 45,299                | 3,757                                 | 49,056                   |
| (Loss)/profit for the period                                     | —                                     | —                         | —                          | —                               | —                                     | —                               | (18,989)                       | (18,989)              | 1,427                                 | (17,562)                 |
| Other comprehensive expenses for the period:                     |                                       |                           |                            |                                 |                                       |                                 |                                |                       |                                       |                          |
| Exchange differences on translating foreign operations           | —                                     | —                         | —                          | —                               | —                                     | (72)                            | —                              | (72)                  | —                                     | (72)                     |
| Total comprehensive (expenses)/income for the period             | —                                     | —                         | —                          | —                               | —                                     | (72)                            | (18,989)                       | (19,061)              | 1,427                                 | (17,634)                 |
| Dividends paid to non-controlling interests                      | —                                     | —                         | —                          | —                               | —                                     | —                               | —                              | —                     | (3,871)                               | (3,871)                  |
| <b>At 30 September 2015 (unaudited)</b>                          | <b>7,480</b>                          | <b>97,922</b>             | <b>—</b>                   | <b>27,141</b>                   | <b>—</b>                              | <b>(61)</b>                     | <b>(106,244)</b>               | <b>26,238</b>         | <b>1,313</b>                          | <b>27,551</b>            |
| At 1 January 2014 (unaudited)                                    | 131,220                               | 175,357                   | 22,734                     | —                               | —                                     | 16                              | (329,545)                      | (218)                 | —                                     | (218)                    |
| (Loss)/profit for the period                                     | —                                     | —                         | —                          | —                               | —                                     | —                               | (11,280)                       | (11,280)              | 2,102                                 | (9,178)                  |
| Other comprehensive expenses for the period:                     |                                       |                           |                            |                                 |                                       |                                 |                                |                       |                                       |                          |
| Exchange differences on translating foreign operations           | —                                     | —                         | —                          | —                               | —                                     | (5)                             | —                              | (5)                   | —                                     | (5)                      |
| Total comprehensive (expenses)/income for the period             | —                                     | —                         | —                          | —                               | —                                     | (5)                             | (11,280)                       | (11,285)              | 2,102                                 | (9,183)                  |
| Non-controlling interests arising on acquisition of a subsidiary | —                                     | —                         | —                          | —                               | —                                     | —                               | —                              | —                     | 711                                   | 711                      |
| Capital reduction  | (129,908)                             | —                         | —                          | 129,908                         | —                                     | —                               | —                              | —                     | —                                     | —                        |
| Share premium cancellation                                       | —                                     | (175,357)                 | —                          | 175,357                         | —                                     | —                               | —                              | —                     | —                                     | —                        |
| Amount transfer from contributed surplus to accumulated losses   | —                                     | —                         | —                          | (278,124)                       | —                                     | —                               | 278,124                        | —                     | —                                     | —                        |
| Recognition of the equity component of convertible bonds         | —                                     | —                         | —                          | —                               | 10,699                                | —                               | —                              | 10,699                | —                                     | 10,699                   |
| Deferred tax on convertible bonds                                | —                                     | —                         | —                          | —                               | (1,765)                               | —                               | —                              | (1,765)               | —                                     | (1,765)                  |
| Conversion of convertible bonds                                  | 4,000                                 | 36,658                    | —                          | —                               | (8,934)                               | —                               | —                              | 31,724                | —                                     | 31,724                   |
| Open offer of new shares   | 1,906                                 | 55,277                    | —                          | —                               | —                                     | —                               | —                              | 57,183                | —                                     | 57,183                   |
| Placing of new shares  | 262                                   | 7,991                     | —                          | —                               | —                                     | —                               | —                              | 8,253                 | —                                     | 8,253                    |
| Shares issue expenses  | —                                     | (1,896)                   | —                          | —                               | —                                     | —                               | —                              | (1,896)               | —                                     | (1,896)                  |
| At 30 September 2014 (unaudited)                                 | <b>7,480</b>                          | <b>98,030</b>             | <b>22,734</b>              | <b>27,141</b>                   | <b>—</b>                              | <b>11</b>                       | <b>(62,701)</b>                | <b>92,695</b>         | <b>2,813</b>                          | <b>95,508</b>            |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group is principally engaged in the sale of beauty products and provision of therapy services. For the sale of beauty products, the Group offers a variety of beauty products under the brand name “Evidens de Beauté”, and a variety of medical skincare products, including the brand “Activa”. For the provision of therapy services, the Group operates a medical skincare centre under the trade name “COLLAGEN+” at Soundwill Plaza in Causeway Bay.

During the period under review, the performance of the sale of beauty products was not satisfactory. As the decline in the growth of the number of Mainland visitors to Hong Kong and their spending power has affected the whole retail sector in Hong Kong since last year, the revenue derived from the sale of beauty products and provision of therapy services under the brand name “Evidens de Beauté” recorded a substantial decrease as compared with that of the last corresponding period.

In response to the adverse market conditions, the Group had implemented the following measures for its operations under the brand name “Evidens de Beauté” during the period under review, including (a) to cease the provision of facial sahos, body treatments and wellness massages services under the brand name “Evidens de Beauté” at the beauty centre at Lyndhurst Terrace in Central in order to reduce the Group’s headcount; (b) to maintain the beauty centre at Lyndhurst Terrace as the Group’s sale office for “Evidens de Beauté” beauty products; (c) to early terminate the tenancy agreement of the Group’s sale office in Kwun Tong by the end of November 2015 and relocate the staffs at the sale office from Kwun Tong office to the beauty centre at Lyndhurst Terrace in order to reduce the Group’s fixed overheads; and (d) to transit the existing direct selling model of beauty products under the brand name “Evidens de Beauté” to a high volume but low cost wholesale model.

On 15 April 2015, a joint announcement (the “**Joint Announcement**”) was published by the Company, Xing Hang Limited (“**Xing Hang**”) and Eternity Investment Limited in respect of, among other things, the subscription of 345,000,000 new ordinary shares of the Company and 30,000,000 new convertible preferred shares of par value of HK\$0.10 each in the share capital of the Company (the “**Subscription**”) under the subscription agreement dated 17 February 2015 (the “**Subscription Agreement**”) entered into between the Company and six subscribers (the “**Subscribers**”), the master supply agreement (the “**Master Supply Agreement**”) to be entered into between the Company and Shenzhen Donica Electronic Technology Co., Ltd upon completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement, the transaction and the proposed annual caps as contemplated in the Master Supply Agreement, the unconditional mandatory cash offer to be made by Kingston Securities Limited on behalf of Xing Hang to acquire all the issued ordinary shares of the Company (other than the ordinary shares of the Company owned or agreed to be acquired by Xing Hang and parties acting in concert with it), the reclassification and redesignation of the existing authorised share capital of the Company and the amendment to the bye-laws of the Company (the “**Transactions**”). The Transactions are subject to the approval of the independent shareholders of the Company. The long stop date of the Subscription Agreement

was extended by two supplemental agreements entered into on 19 June 2015 and 28 August 2015 respectively by parties to the Subscription Agreement from 19 June 2015 to 31 August 2015 and from 31 August 2015 to 31 October 2015 respectively. A circular was issued by the Company on 7 October 2015 in relation to the Transactions. The Transactions was approved at the special general meeting held on 30 October 2015 and completed on 6 November 2015.

## **Financial Review**

During the period under review, the Group recorded a turnover of approximately HK\$32.4 million, representing an increase of approximately 7.9% as compared with that of the last corresponding period, of which approximately HK\$3.2 million (2014: approximately HK\$9.9 million) and approximately HK\$29.2 million (2014: approximately HK\$20.1 million) were generated from the sale of beauty products and provision of therapy services respectively.

During the period under review, the revenue generated from the sale of beauty products and provision of therapy services by China Honest Enterprises Limited (“**China Honest**”), a 51% owned subsidiary, was approximately HK\$1.1 million (2014: approximately HK\$0.6 million) and approximately HK\$28.6 million (2014: approximately HK\$18.9 million) respectively. The revenue generated from the sale of beauty products and provision of therapy services under the brand name “Evidens de Beauté” was approximately HK\$2.1 million (2014: approximately HK\$8.9 million) and HK\$0.6 million (2014: approximately HK\$1.2 million) respectively.

For the nine months ended 30 September 2015, the gross profit margin was approximately 27.0% (2014: approximately 37.8%). China Honest contributed approximately HK\$9.3 million to the gross profit of the Group, while the operations under the brand name “Evidens de Beauté” recorded a gross loss of approximately HK\$0.6 million.

Other income for the nine months ended 30 September 2015 of approximately HK\$0.2 million (2014: approximately HK\$3.0 million) was mainly contributed by the interest income of bank deposit. Compared with the last corresponding period, the decrease in other revenue was mainly attributed to the absence of interest income on other receivable, which was impaired in December 2014, of approximately HK\$46.5 million.

The selling and distribution costs for the nine months ended 30 September 2015 was approximately HK\$1.5 million (2014: approximately HK\$1.0 million), representing an increase of approximately 49.9% over the last corresponding period. Such increase was mainly attributed to the advertisement and promotion expenses incurred by China Honest during the period under review. China Honest accounted for approximately 85.0% or HK\$1.2 million of the total selling and distribution costs.

During the period under review, the administrative expenses was approximately HK\$23.7 million (2014: approximately HK\$16.9 million), representing an increase of 40.6% over the last corresponding period. Such increase was mainly attributed to the staffs costs incurred by the wholly-foreign-owned enterprise (the “WFOE”) in Shenzhen, the PRC, which was incorporated on 13 April 2015. China Honest accounted for approximately 19.2% or HK\$4.5 million of the total administrative expenses during the period under review.

The finance costs for the nine months ended 30 September 2014 of approximately HK\$0.7 million (2014: approximately HK\$4.7 million), was mainly attributed to the imputed interest on the promissory notes of approximately HK\$0.4 million and the interest on other borrowings of approximately HK\$0.3 million during the period under review. The decrease was contributed by the decrease in the interest on other borrowings from approximately HK\$3.4 million in the last corresponding period to approximately HK\$0.3 million in the current period, due to the full repayment of the borrowing from Hong Kong Builders Finance Limited and Koffman Investment Limited by the Company in August 2014 and May 2014 respectively.

The consolidated loss attributable to owners of the Company amounted to approximately HK\$19.0 million for the nine months ended 30 September 2015 (2014: approximately HK\$11.3 million). The deterioration of the results was mainly attributed to (i) an unsatisfactory performance of the business segment under the brand name “Evidens de Beauté”; and (ii) the increase in staff costs including directors’ emoluments which was mainly attributable to the staff costs incurred by the WFOE since April 2015.

## **OUTLOOK**

The Directors consider that the streamline of the operation under the brand name “Evidens de Beauté” will enable the Group to create a lean overheads and cost effective operating structure for the sale of beauty products business under such brand and well position itself to fully capitalise on opportunities when market conditions improve.

With regard to the operation of China Honest, in view of its satisfactory performance since its acquisition on 11 April 2014, the Group will maintain its present scale of operation in the sale of beauty products and the provision of therapy services. The Group will allocate resources to China Honest to promote the brand name “COLLAGEN+” in order to broaden its client base and enhance its competitiveness.

On the other hand, the Board believes that the completion of the Subscription Agreement on 6 November 2015 represents a good opportunity to improve its financial position and liquidity and the development of the new business in a segment different from the existing business of the Group will diversify and broaden its revenue sources and improve its profitability in the long run.

## LITIGATION

- (a) On 23 January 2015, the Company received a writ of summons in the High Court Action No. 200 of 2015 issued by Mr. Shum Yeung (“**Mr. Shum**”) as the plaintiff against the Company as the defendant for the following claims:
- (i) the judgment in High Court Action No. 1775 of 2012 dated 6 September 2013 (the “**Summary Judgment**”), is relating to which the Court of First Instance of the High Court of Hong Kong (the “**Court**”) adjudged that Mr. Shum 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 (the “**Judgment Debt**”); and (b) shall pay the Company the costs of this action including the costs of and occasioned by the Company’s application for Summary Judgment to be taxed if not agreed, entered against Mr. Shum be set aside;
  - (ii) loss and damages suffered by Mr. Shum as a result of the Summary Judgment being obtained against him;
  - (iii) an order for discovery upon oath of all matters relating to the Summary Judgment;
  - (iv) an order for payment of all sums found due to Mr. Shum together with the interest thereon at such rate and for such period as the High Court may deem just pursuant to the High Court Ordinance;
  - (v) the cost; and
  - (vi) further or other relief.

On 30 March 2015, the Company received a statement of claim in the High Court of Hong Kong filed by Mr. Shum in relation to the High Court Action No. 200 of 2015. On 14 May 2015, the Company filed a defence in that action.

- (b) On 19 May 2015, the Board announced that the Company commenced legal proceedings (the “**May Proceedings**”) in the Court against Mr. Shum as the 1st Defendant, E In International Group Limited as the 2nd Defendant, E In Properties Limited as the 3rd Defendant and Grand Fill Enterprise Limited as the 4th Defendant (“**High Court Action No. 1234 of 2015**”) for, amongst others, the following reliefs to recover the Judgment Debt under the Summary Judgment:
- (i) Mr. Shum’s interest in all the shares or shareholdings in the 2nd Defendant, 3rd Defendant and 4th Defendant (the “**Shares**”) which have been charged in favour of the Company be sold without further reference to the Court by way of tender or public auction at the best price reasonably obtainable;

- (ii) the solicitors for the Company shall have the conduct of the sale of the Shares by appointing an agent, to sell the Shares by way of tender or public action;
- (iii) the execution of the requisite deeds or documents to effect the sale stated in paragraphs (i) and (ii) above by Mr. Shum or by the Registrar of the Court;
- (iv) the Company shall apply the sale proceeds from the sale of the Shares to (a) pay the costs and expenses of effecting the above sale; (b) pay the costs of the May Proceedings; (c) pay the Judgment Debt (together with interest) under the Summary Judgment; and (d) pay the balance (if any) to Mr. Shum or into the Court or as the Court shall direct;
- (v) further or alternative to paragraphs (i), (ii) and (iii) above, a receiver be appointed to (a) receive Mr. Shum's profits, income, benefits, interest and/or assets deriving and/or arising from the Shares; and/or (b) to take over and/or realize the Shares for the purpose of defraying the Judgment Debt (together with interest) under the Summary Judgment; and
- (vi) the costs of the May Proceedings to the Company.

The hearing of the May Proceedings had originally been fixed on 25 June 2015. On 19 June 2015, the Company was served with a summons taken out by Mr. Shum seeking to stay the May Proceedings pending the determination of HCA No. 200 of 2015 (the "**Application for stay of the May Proceedings**"). Upon the consent of the parties, the court ordered that the May Proceeding and the Application for stay of the May Proceedings be adjourned to be heard together on 23 September 2015.

### **The 23 September 2015 Hearing**

During the hearing of the 23 September 2015 (the "**23 September 2015 Hearing**"), the Company agreed to withhold the enforcement of the Summary Judgment pending the resolution of the High Court Action No. 200 of 2015 in which a writ of summons was issued by Mr. Shum as the plaintiff against the Company as the defendant for, inter alia, setting aside the Summary Judgment, on the condition that Mr. Shum shall pay the judgment sum together with interest accrued under the Summary Judgment into Court. It was therefore ordered by the Court (the "**23 September 2015 Order**") that unless either:

- (i) Mr. Shum was able to provide a guarantee to secure HK\$47,767,709.60 being the outstanding indebtedness (inclusive of interest) up to 8 June 2015 under the Summary Judgment (the "**Judgment Sum**") which was agreed by the Company in writing or approved by the Court; or
- (ii) alternatively, Mr. Shum paid the Judgment Sum into Court,

within a period of 28 days from the date of the 23 September 2015 Order, the order by the Court for the appointment of receivers by way of equitable execution over (a) all shares (the “**Shares**”) of E In International Group Limited, E In Properties Limited and Grand Fill Enterprise Limited, being companies wholly-owned by Mr. Shum; and (b) all Mr. Shum’s interests benefits and/or rights in the Properties would take effect.

On 19 October 2015, the Company was served with a summons taken out by Mr. Shum seeking for an extension of time of 14 days from the date of the 23 September 2015 Order. At the hearing on 20 October 2015, it was ordered by the Court that the period of 28 days from the date of the 23 September 2015 Order be extended for 14 days to 5 November 2015.

On 2 November 2015, it was ordered by the Court that the draft bank guarantee provided by Mr. Shum for the purpose of securing the Judgment Sum was not approved.

On 5 November 2015, the Company received a notice from Mr. Shum’s solicitors that Mr. Shum had paid HK\$47,767,709.60 into the Court in compliance with the 23 September 2015 Order. Under the 23 September 2015 Order, upon the payment into the Court by Mr. Shum, the order for the appointment of receivers as mentioned above shall be forthwith discharged.

- (c) On 9 June 2015, the Board announced that the Company commenced legal proceedings (the “**June Proceedings**”) in the Court against Mr. Shum as the 1st Defendant, Wing Lung Bank Limited as the 2nd Defendant and Hang Seng Bank Limited as the 3rd Defendant for, amongst others, the following reliefs to recover the Judgment Debt under the Summary Judgment:
- (i) Mr. Shum’s interest in the properties and/or lands situate at (i) House 4, The Baroque, Nos.1-7 Kau To Shan Road, Shatin, New Territories (the “**First Property**”); (ii) Ground Floor, No. 1 Kau To Path, Lot No. 838 in DD171, Shatin, New Territories (the “**Second Property**”); and (iii) Ground Floor, No. 1 Kau To Path, Lot No. 839 in DD171, Shatin, New Territories (the “**Third Property**”) (collectively as the “**Properties**”) which have been charged in favour of the Company be sold without further reference to the Court by way of tender or public auction at the best price reasonably obtainable;
  - (ii) the solicitors for the Company shall have the conduct of the sale of the Properties by appointing an agent, to sell the Properties by way of tender or public auction;
  - (iii) the execution of the requisite deeds or documents to effect the sale stated in paragraphs (i) and (ii) above by Mr. Shum or by the Registrar of the Court;

- (iv) the Company shall apply the sale proceeds from the sale of the First Property to (a) pay the costs and expenses of effecting the above sale; (b) pay the costs of the June Proceedings; (c) pay the outstanding indebtedness owed to Hang Seng Bank Limited as secured by a mortgage over the First Property; (d) pay the judgment debt (together with interest) owed to the Company under the Summary Judgment; and (e) pay the balance (if any) to Mr. Shum or into the Court or as the Court shall direct;
- (v) the Company shall apply the sale proceeds from the sale of the Second Property and Third Property to (a) pay the costs and expenses of effecting the above sale; (b) pay the costs of the June Proceedings; (c) pay the outstanding indebtedness owed to Wing Lung Bank Limited as secured by a mortgage and a second legal charge over the Second Property and the Third Property; (d) pay the judgment debt (together with interest) owed to the Company under the Summary Judgment; and (e) pay the balance (if any) to Mr. Shum or into the Court or as the Court shall direct;
- (vi) further or alternative to paragraphs (i), (ii) and (iii) above, a receiver be appointed to receive Mr. Shum's share of any rents, income and/or profits arising from the Properties;
- (vii) such further and/or other directions as the Court shall deem fit; and
- (viii) the costs of the June Proceedings to the Company.

The hearing of the June Proceedings had been fixed on 9 July 2015. On 2 July 2015, the Company was served with a summons taken out by Mr. Shum seeking to stay the June Proceedings pending the determination of HCA No. 200 of 2015 (the “**Application for stay of the June Proceedings**”). At the hearing held on 9 July 2015, the Court ordered that the June Proceedings and the Application for stay of the June Proceedings be adjourned to be heard together on 23 September 2015. The details of the hearing on 23 September 2015 are set out in the section headed “The 23 September 2015 Hearing” of note (b) above.



## **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 2015, none of the Directors or the chief executive of the Company nor their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 2015, so far as is known to the Directors and the chief executive of the Company, the interests and shorts positions of the persons or corporations (other than the Directors and the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register to be kept by the Company pursuant to Section 336 of the SFO; or who was directly or indirectly, to be interested in 5% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group, were as follows:

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

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

Notes:

1. “L” represents long position in ordinary shares or underlying ordinary shares of the Company and “S” represents short position in ordinary shares or underlying ordinary shares of the Company.
2. On 17 February 2015, the Company and the Subscribers, namely Xing Hang Limited (“**Xing Hang**”), Goldenland Mining & Investment Limited (“**Goldenland**”), Silver Empire Holding Limited (“**Silver Empire**”), Truly Elite Limited (“**Truly Elite**”), High Aim Global Limited (“**High Aim**”) and First Bonus International Limited (“**First Bonus**”) entered into the Subscription Agreement pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue a total of 375,000,000 shares of the company (the “**Subscription Shares**”), comprising 345,000,000 ordinary shares of the Company (the “**Ordinary Subscription Shares**”) and 30,000,000 preferred shares of the Company (the “**Preferred Shares**”) to the Subscribers, at an issue price of HK\$0.4 per Subscription Share (the “**Subscription**”).
3. Upon completion of the Subscription Agreement, Xing Hang will become the controlling shareholder of the Company. Pursuant to Rule 26.1 of the Takeovers Code, Xing Hang will make the unconditional mandatory cash offer (the “**Offer**”). Kingston Securities Limited (“**Kingston Securities**”) will make the Offer on behalf of Xing Hang to acquire all the issued ordinary shares of the Company at an offer price of HK\$4.07 per offer share (other than the Excluded Shares (as defined below)).
4. Goldenland, Silver Empire, Truly Elite, High Aim and First Bonus are considered as parties acting in concert with Xing Hang, Eternity Investment Limited (“**Eternity**”), being the controlling shareholder (as defined under the GEM Listing Rules) of the Company, has undertaken to Xing Hang not to accept the Offer in respect of the 36,500,000 ordinary shares of the Company held by the Eternity Group (the “**Excluded Shares**”) (the “**Lock-Up Undertaking**”) and the Subscribers have undertaken to Eternity, among other things, not to sell their respective holdings in the Subscription Shares within one year after completion of the Subscription or during the period which Eternity remains directly or indirectly interested in 22,490,150 ordinary shares of the Company (representing 5.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no adjustment to the conversion price of the Conversion Shares in accordance with the terms of the Preferred Shares and that there is no other change in the number of ordinary shares of the Company in issue)) (whichever period is shorter) (the “**Subscribers’ Lock-up Undertaking**”). In view of these undertakings entered into between Eternity and the Subscribers, Eternity is regarded as a party acting in concert with the Subscribers. Kingston Securities, being an agent to make the Offer, is also regarded as a party acting in concert with Xing Hang.
5. New Cove Limited (“**New Cove**”) is interested in 52,500,000 ordinary shares of the Company. As New Cove is an indirect wholly-owned subsidiary of Eternity, Eternity is deemed to be interested in such 52,500,000 shares. In addition, as Eternity is considered as party acting in concert with the Subscribers under section 317 of the SFO in view of the Subscribers’ Lock-Up Undertaking. Eternity is deemed to be interested in the Subscription Shares. As such, Eternity is deemed to be interested in an aggregate of 427,500,000 ordinary shares of the Company.

6. Xing Hang is ultimately owned as to 82.5% by Mr. Cai Zhaoyang, 7.5% by Mr. Lin Fan, 3.75% by Ms. Xu Yaping, 3.75% by Mr. Guo Pengcheng and 2.5% by Mr. Chen Jie. Pursuant to the Subscription Agreement, Xing Hang will subscribe for 179,921,200 Ordinary Subscription Shares. Pursuant to the term loan agreement entered into between Xing Hang and Success Far (as defined below), a share charge will be given by Xing Hang in favour of Success Far over the 179,921,000 Ordinary Subscription Shares to be issued to Xing Hang under the Subscription. Accordingly, Xing Hang acquires a short position in respect of such 179,921,000 ordinary shares of the Company. As Xing Hang is a controlled corporation of Mr. Cai Zhaoyang, Mr. Cai Zhaoyang is deemed to have acquired a short position in such 179,921,200 ordinary shares of the Company. Further, as Xing Hang is party acting in concert with other Subscribers and with Eternity under section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, each of Xing Hang and Mr. Cai Zhaoyang is deemed to be interested in an aggregate of 427,500,000 ordinary shares of the Company.
7. In accordance with the term loan agreement entered into between Xing Hang and Success Far Holdings Limited ("**Success Far**") which is owned as to approximately 20.85% by Silver Empire, 22.93% by Truly Elite, 25% by Goldenland and 31.22% by High Aim, pursuant to which Success Far shall provide a facility to Xing Hang and Xing Hang give a share charge in favour of Success Far over 179,921,200 Ordinary Subscription Shares to be issued to Xing Hang under the Subscription. As such, Success Far is deemed to be interested in 179,921,200 ordinary shares of the Company.
8. Goldenland is ultimately owned as to 50% by Mr. Liu Jin and 50% by Ms. Xue Siman. Pursuant to the Subscription Agreement, Goldenland will subscribe for 45,396,178 Ordinary Subscription Shares. As Goldenland is a party acting in concert with the other Subscribers and with Eternity under section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, each of Goldenland, Mr. Liu Jin and Ms. Xue Siman is deemed to be interested in an aggregate of 427,500,000 ordinary shares of the Company.
9. Silver Empire is wholly owned by Genius Earn Limited ("**Genius Earn**") which is in turn wholly owned by Mr. Liu Xiao Lin. Pursuant to the Subscription Agreement, Silver Empire will subscribe for 37,861,665 Ordinary Subscription Shares. As Silver Empire is a party acting in concert with the other Subscribers and with Eternity under section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, each of Silver Empire, Genius Earn and Mr. Liu Xiao Lin is deemed to be interested in an aggregate of 427,500,000 ordinary shares of the Company.
10. Truly Elite is wholly owned by Mr. Yeung Heung Yeung. Pursuant to the Subscription Agreement, Truly Elite will subscribe for 41,628,921 Ordinary Subscription Shares. As Truly Elite is a party acting in concert with the other Subscribers and with Eternity under section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, each of Truly Elite and Mr. Yeung Heung Yeung is deemed to be interested in an aggregate of 427,500,000 ordinary shares of the Company.
11. High Aim is wholly owned by Mr. Ko Chun Shun, Johnson. Pursuant to the Subscription Agreement, High Aim will subscribe for 26,697,946 Ordinary Subscription Shares and 30,000,000 Preferred Shares. As High Aim is a party acting in concert with other Subscribers and with Eternity under section 317 of the SFO in view of the Subscribers' Lock-Up Undertaking, each of High Aim and Mr. Ko Chun Shun, Johnson is deemed to be interested in an aggregate of 427,500,000 ordinary shares of the Company.

12. First Bonus is a wholly-owned subsidiary of Reorient Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by REORIENT Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange. REORIENT Group Limited is a subsidiary of Gainhigh Holdings Limited (“**Gainhigh**”) which in turn is a subsidiary of Insula Holdings Limited (“**Insula**”). Mr Ko Chun Shun, Johnson is an executive director and the controlling shareholder (as defined under the Listing Rules) of REORIENT Group Limited. Pursuant to the Subscription Agreement, First Bonus will subscribe for 13,494,090 Ordinary Subscription Shares. As First Bonus is a party acting in concert with the other Subscribers and with Eternity under section 317 of the SFO in view of the Subscribers’ Lock-Up Undertaking, each of First Bonus, Reorient Limited, REORIENT Group Limited, Gainhigh, Insula and Mr. Ko Chun Shun, Johnson is deemed to be interested in an aggregate of 427,500,000 ordinary shares of the Company.
13. The percentage is calculated on the basis of 74,803,000 ordinary shares of the Company in issue as at 30 September 2015.

Save as disclosed above, as at 30 September 2015, so far as is known to the Directors and the chief executive of the Company, and based on the public records filed on the website of the Stock Exchange and records kept by the Company, no other persons or corporations (other than the Directors and the chief executive of the Company) has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or, were directly or indirectly, interests in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

During the period under review, the Company has adopted a code of conduct regarding Director’s securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all the Directors, all Directors have confirmed that they have complied with such code of conduct and the required standard of dealings on Directors’ securities transactions.

## **COMPETING INTERESTS**

As at 30 September 2015, 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 2015, the Audit Committee comprises three independent non-executive Directors, namely, Mr. Tam B Ray, Billy, Mr. Chu Kin Wang, Peleus and Mr. Joseph Tse. The Audit Committee has reviewed the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2015 and has provided advice and comments thereon.

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

Hong Kong, 10 November 2015

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