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**Xing Hang Limited**  
**興航有限公司**

*(Incorporated in the British Virgin Islands with limited liability)*

**EDS Wellness Holdings Limited**

*(Incorporated in the Cayman Islands and continued in Bermuda as an exempted company)*

**(Stock Code: 8176)**

**JOINT ANNOUNCEMENT**

- (1) SUBSCRIPTION OF NEW ORDINARY EDS SHARES AND  
NEW PREFERRED SHARES;  
(2) POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER BY**



**KINGSTON SECURITIES LTD**

- ON BEHALF OF XING HANG LIMITED  
FOR ALL ISSUED ORDINARY EDS SHARES  
(OTHER THAN THOSE EXCLUDED EDS SHARES);  
(3) CONTINUING CONNECTED TRANSACTION  
— THE MASTER SUPPLY AGREEMENT;  
(4) REDESIGNATION OF THE AUTHORIZED SHARE CAPITAL OF  
EDS WELLNESS HOLDINGS LIMITED;  
(5) AMENDMENT TO THE BYE-LAWS; AND  
(6) RESUMPTION OF TRADING**

**Financial adviser to Xing Hang Limited**

**Financial adviser to EDS Wellness Holdings Limited**



**KINGSTON CORPORATE FINANCE LTD.**

**REORIENT 瑞東**

**REORIENT Financial Markets Limited**



**ETERNITY INVESTMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 764)**

**MAJOR TRANSACTION — DEEMED DISPOSAL OF  
SHAREHOLDING INTEREST IN EDS WELLNESS HOLDINGS LIMITED**

Reference is made to the announcements of EDS dated 21 January 2015 and 16 February 2015 in respect of a possible fund raising and new business development of EDS, and trading halt of the Ordinary EDS Shares on 16 February 2015 respectively and the announcements of EDS dated 24 February 2015 and 24 March 2015 pursuant to Rule 3.7 of the Takeovers Code regarding the Subscription and the Offer.

Reference is also made to the announcements of Eternity dated 21 January 2015 and 24 February 2015 in respect of a possible fund raising of EDS and an update of the halt of trading in Eternity Shares respectively.

## **THE SUBSCRIPTION**

On 17 February 2015, EDS and the Subscribers entered into the Subscription Agreement pursuant to which the Subscribers have conditionally agreed to subscribe for, and EDS has conditionally agreed to allot and issue a total of 375,000,000 Subscription Shares, comprising 345,000,000 Ordinary Subscription EDS Shares and 30,000,000 Preferred Shares to the Subscribers, at an issue price of HK\$0.40 per Subscription Share.

The 375,000,000 Subscription Shares (upon conversion of the 30,000,000 Preferred Shares in full) represent (i) approximately 501.32% of the number of Ordinary EDS Shares in issue as at the date of this joint announcement; and (ii) approximately 83.37% of the number of Ordinary EDS Shares in issue as enlarged by the allotment and issue of the Ordinary Subscription EDS Shares and Conversion Shares upon conversion of the Preferred Shares in full.

The total Subscription Price amounts to HK\$150 million which shall be payable in cash by the Subscribers upon Completion. The Ordinary Subscription EDS Shares, the Preferred Shares and the Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent EDS Shareholders at the EDS SGM.

The EDS Group intends to build up an in-flight WLAN and WIFI engineering and service business. The gross proceeds and the net proceeds from the Subscription are HK\$150 million and approximately HK\$135 million respectively. The net proceeds are to be applied (i) as to HK\$125 million for acquiring equipment and developing an in-flight WLAN and WIFI engineering and service business which include the provision of in-flight WLAN or WIFI connection equipment and/or other in-flight WLAN or WIFI connection solutions to airline companies; and (ii) as to the remaining balance of approximately HK\$10 million for general working capital of the EDS Group.

## **THE MASTER SUPPLY AGREEMENT**

Pursuant to the Subscription Agreement, upon Completion, EDS and Donica shall enter into the Master Supply Agreement, whereby the EDS Group may purchase the In-flight WLAN and WIFI Equipment and the Services from Donica and Donica shall supply the In-flight WLAN and WIFI Equipment and the Services exclusively to the EDS Group from time to time during the term of the Master Supply Agreement to be used by customers of the EDS Group.

Donica is owned as to 41.9825% by Mr Cai Zhaoyang (who is the majority shareholder and the sole director of Xing Hang), 18.75% by Mr Xie Yuehui, 17.625% by Mr Lin Fan (who is a minority shareholder of Xing Hang), 12% by Mr Jin Yi, 6.5175% by Mr Li Chengjun and 3.125% by Mr Guo Pengcheng (who is a minority shareholder of Xing Hang). Upon Completion, Xing Hang will become the controlling shareholder (as defined under the GEM Listing Rules) of EDS, and therefore Donica will become an associate (as defined under the GEM Listing Rules) of Xing Hang and accordingly a connected person of EDS upon Completion. Accordingly, the transactions contemplated under the Master Supply Agreement will constitute continuing connected transactions for EDS under Chapter 20 of the GEM Listing Rules. Since the highest applicable percentage for the proposed annual caps for the transactions contemplated under the Master Supply Agreement is more than 5%, the transactions contemplated under the Master Supply Agreement shall be subject to approval by the Independent EDS Shareholders and the announcement, reporting and annual review requirements under Chapter 20 of the GEM Listing Rules.

### **RECLASSIFICATION AND REDESIGNATION OF AUTHORIZED SHARE CAPITAL AND AMENDMENT TO BYE-LAWS**

As one of the conditions precedent to the Subscription, the EDS Board proposes to reclassify and redesignate the existing authorized share capital of EDS of HK\$500,000,000 comprising 5,000,000,000 Ordinary EDS Shares of par value of HK\$0.10 each to become HK\$500,000,000 comprising: (i) 4,950,000,000 Ordinary EDS Shares of par value of HK\$0.10 each; and (ii) 50,000,000 Preferred Shares of par value of HK\$0.10 each, with the rights, privileges and restrictions set out in the Bye-laws. The above reclassification and redesignation is conditional upon passing of an ordinary resolution by the Independent EDS Shareholders at the EDS SGM under the Redesignation Resolution.

The EDS Board further proposes to amend the Bye-laws to, among others, reflects (i) the above reclassification and redesignation of the authorized share capital of EDS; and (ii) the creation and issue of Preferred Shares with the rights, privileges and restrictions set out in the Bye-laws. The above amendments to the Bye-laws are conditional upon, among others, the passing of a special resolution by Independent EDS Shareholders at the EDS SGM.

### **THE OFFER**

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

Pursuant to Rule 26.1 of the Takeovers Code, Xing Hang will make the Offer. Save for the Eternity Group holding 52,500,000 Ordinary EDS Shares and Kingston Securities holding 96 Ordinary EDS Shares, as at the date of this joint announcement, Xing Hang or the parties acting in concert with it do not own any Ordinary EDS Shares or securities in EDS. The Offer will be made to all EDS Shareholders (excluding the holders of the Excluded EDS Shares).

Pursuant to the Subscription Agreement, Xing Hang has undertaken to EDS, following and subject to Completion, to comply with its obligations under the Takeovers Code, and in particular to make the Offer to the holders of the Offer Shares on the terms to be set out in the composite offer and response document to be issued in accordance with the Takeovers Code. The Offer will be made by Kingston Securities on behalf of Xing Hang in accordance with the Takeovers Code on the following basis:

For each Offer Share . . . . . HK\$4.07 payable in cash

Kingston Corporate Finance, as the financial adviser to Xing Hang, is satisfied that sufficient resources are, and will remain, available to Xing Hang to satisfy full acceptance of the Offer.

The principal terms of the Offer are set out under “POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER” of this joint announcement.

#### **IMPLICATION OF RULE 10 OF THE TAKEOVERS CODE**

As detailed in sections headed “The 2015 Profit Guarantee” and “The 2015 Profit Forecast”, EDS would like to draw the attention of EDS Shareholders and potential investors that each of the 2015 Profit Guarantee and the 2015 Profit Forecast constitutes an existing profit forecasts on public record under the Note to Rule 10.1 of the Takeovers Code. However, each of the 2015 Profit Guarantee and the 2015 Profit Forecast did not meet the requirements under Rule 10 of the Takeovers Code and is required to be reported on by both EDS’s financial adviser in respect of the Offer and its current accountants or auditor in accordance with Rule 10.4 of the Takeovers Code.

The reports on the 2015 Profit Guarantee and the 2015 Profit Forecast as required under Rule 10 of the Takeovers Code will be contained in the next document to be sent to the EDS Shareholders, if EDS has not yet published its unaudited results announcement for the six months ending 30 June 2015 which contains the information on whether the 2015 Profit Guarantee is fulfilled or not based on the actual results of the Target Company for the year ended 31 March 2015 as certified by EDS’s auditors and the unaudited results announcement for the six months ending 30 June 2015 in the case of the 2015 Profit Forecast in accordance with the GEM Listing Rules, at the time when such document is issued.

**Given the material deviations from the 2015 Profit Forecast as set out in the EDS’s announcements dated 31 October 2014 and 11 November 2014, the EDS Board would advise the EDS Shareholders and potential investors of EDS not to place any reliance on the 2015 Profit Forecast in assessing the merits and demerits of the Subscription, the Offer and/or when dealing in EDS’s securities.**

**EDS Shareholders and potential investors of EDS should also exercise caution in placing reliance on the 2015 Profit Guarantee in assessing the merits and demerits of the Subscription, the Offer and/or when dealing in EDS's securities.**

#### **DEEMED DISPOSAL OF SHAREHOLDING INTEREST IN EDS BY ETERNITY**

As at the date of the Subscription Agreement, the Eternity Group held 52,500,000 Ordinary EDS Shares, representing approximately 70.18% of the then issued share capital of EDS. Upon Completion, the Eternity Group's shareholding interest in EDS will be diluted from approximately 70.18% to approximately 11.67% (assuming that all Preferred Shares are converted into 30,000,000 Conversion Shares at the Conversion Price and that no further Ordinary EDS Shares are issued or bought back by EDS), representing a decrease of approximately 58.51%. Accordingly, the Subscription constitutes a deemed disposal of an approximately 58.51% shareholding interest in the issued share capital of EDS by Eternity pursuant to Rule 14.29 of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the deemed disposal arising from the Subscription are above 25% but all applicable percentage ratios are less than 75%, the Subscription constitutes a major transaction of Eternity. Accordingly, the Subscription is subject to the reporting, announcement and shareholders' approval requirements being complied with by Eternity under the Listing Rules.

#### **GENERAL**

##### **The EDS SGM**

The EDS SGM will be convened and held for the purposes of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder, the granting of the Specific Mandate, the Master Supply Agreement and the proposed annual caps in relation to the transactions contemplated thereunder, the Redesignation Resolution and the proposed amendments to the Bye-laws. A circular containing, among other things, details of the Subscription, the granting of the Specific Mandate, the Master Supply Agreement, the Redesignation Resolution, the proposed amendments to the Bye-laws and a notice convening the EDS SGM is expected to be despatched on or before 7 May 2015.

##### **The Eternity SGM**

The Eternity SGM will be convened and held for the purposes of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder. A circular containing, among other things, details of the Subscription, a notice of Eternity SGM and other information required under the Listing Rules, is expected to be despatched to the Eternity Shareholders on or before 7 May 2015.

### **Independent Board Committee and Independent Financial Adviser**

The Independent Board Committee comprising all the independent non-executive EDS Directors, namely Mr Tam B Ray, Billy, Mr Chu Kin Wang, Peleus and Mr Tse Joseph, has been established to advise the Independent EDS Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. The Independent Board Committee will appoint an Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer and in particular as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

### **Despatch of composite offer and response document**

Xing Hang and EDS intend that a composite offer and response document in connection with the Offer setting out, among other things, details of the Offer (accompanied by the acceptance and transfer form) and incorporating the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser on the Offer will be issued and despatched by Xing Hang and EDS jointly to the EDS Shareholders in accordance with the Takeovers Code. Pursuant to Rule 8.2 of the Takeovers Code, the composite offer and response document should be posted to the EDS Shareholders within 21 days of the date of this joint announcement or such other date as may be permitted by the Takeovers Code and agreed by the Executive and in compliance with the requirements of the Takeovers Code. The making of the Offer is conditional on Completion. Given Completion shall take place within five Business Days from and excluding the day on which the last of the condition precedent of the Subscription Agreement has been fulfilled or waived (as the case may be as agreed among the parties to the Subscription Agreement), it is expected that Completion will take place on or before 26 June 2015 and will not take place within 21 days after the date of this joint announcement. As such, an application will be made to seek for the Executive's consent under Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of such composite offer and response document to be within seven days after Completion.

### **RESUMPTION OF TRADING IN ORDINARY EDS SHARES**

At the request of EDS, trading in the Ordinary EDS Shares has been suspended with effect from 2:45 p.m. on 16 February 2015. An application has been made by EDS for the resumption of trading in the Ordinary EDS Shares on the Stock Exchange with effect from 9:00 a.m. on 16 April 2015.

### **CONTINUAL SUSPENSION OF TRADING IN ETERNITY SHARES**

Trading in the Eternity Shares on the Stock Exchange has been suspended since 9:00 a.m. on 12 December 2014 and will continue to be suspended pending the release of announcements in relation to the two proposed acquisitions by the Eternity Group which, if materialize, constitute notifiable transactions of Eternity under the Listing Rules as mentioned in the announcement of Eternity dated 24 February 2015.

**Warning: The Subscription is subject to the fulfilment or waiver (as the case may be) of a number of conditions precedent set out under the section headed "Conditions of the Subscription" under "THE SUBSCRIPTION" in this joint announcement, including, among other things, approval by the Independent EDS Shareholders and approval of the Eternity Shareholders of the Subscription. As such, the Subscription may or may not proceed.**

**EDS Shareholders and potential investors are advised to exercise caution when dealing in the Ordinary EDS Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.**

**Eternity Shareholders and potential investors are advised to exercise caution when dealing in the Eternity Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.**

Reference is made to the announcements of EDS dated 21 January 2015 and 16 February 2015 in respect of a possible fund raising and new business development of EDS, and trading halt of the Ordinary EDS Shares on 16 February 2015 respectively and the announcements of EDS dated 24 February 2015 and 24 March 2015 pursuant to Rule 3.7 of the Takeovers Code regarding the Subscription and the Offer.

Reference is also made to the announcements of Eternity dated 21 January 2015 and 24 February 2015 in respect of a possible fund raising of EDS and an update of the halt of trading in Eternity Shares respectively.

## **THE SUBSCRIPTION**

On 17 February 2015, EDS and the Subscribers entered into the Subscription Agreement pursuant to which the Subscribers have conditionally agreed to subscribe for, and EDS has conditionally agreed to allot and issue a total of 375,000,000 Subscription Shares, comprising 345,000,000 Ordinary Subscription EDS Shares and 30,000,000 Preferred Shares to the Subscribers, at an issue price of HK\$0.40 per Subscription Share.

### **The Subscription Agreement**

Date : 17 February 2015

Issuer : EDS

Subscribers : Xing Hang;  
Goldenland;  
Silver Empire;  
Truly Elite;  
High Aim; and  
First Bonus.

The Subscribers and their respective ultimate beneficial owners are third parties independent of EDS, Eternity and their respective connected persons. Please refer to the section headed “Information of the Subscribers” for more information of the Subscribers. Eternity is the controlling shareholder (as defined under the GEM Listing Rules) of EDS. It is regarded as a party acting in concert with the Subscribers in view of the undertakings given by Eternity to Xing Hang and the undertaking given by the Subscribers to Eternity as further detailed in the section headed “Lock-up Undertakings in relation to the Subscription Shares” and the section headed “Undertakings in relation to the Offer” under “POSSIBLE UNCONDITIONAL MANDATORY OFFER” in this joint announcement.

Each of EDS and Eternity has confirmed that none of Subscribers are its connected persons.

## The Subscription Shares

The following table sets out a summary of the Subscription Shares to be subscribed for by each of the Subscribers:

	Subscription of Ordinary Subscription EDS Shares		Subscription of Preferred Shares	
	Number of Ordinary Subscription EDS Shares	Consideration (HK\$)	Number of Preferred Shares	Consideration (HK\$)
Xing Hang	179,921,200	71,968,480.00	—	—
Goldenland	45,396,178	18,158,471.20	—	—
Silver Empire	37,861,665	15,144,666.00	—	—
Truly Elite	41,628,921	16,651,568.40	—	—
High Aim	26,697,946	10,679,178.40	30,000,000	12,000,000.00
First Bonus	13,494,090	5,397,636.00	—	—
	<u>345,000,000</u>	<u>138,000,000.00</u>	<u>30,000,000</u>	<u>12,000,000.00</u>

The 345,000,000 Ordinary Subscription EDS Shares represent (i) approximately 461.21% of the number of Ordinary EDS Shares in issue as at the date of this joint announcement; (ii) approximately 82.18% of the number of Ordinary EDS Shares in issue as enlarged by the allotment and issue of the Ordinary Subscription EDS Shares but before conversion of any Preferred Shares (assuming that there is no other change in the number of Ordinary EDS Shares in issue); and (iii) approximately 76.70% of the number of Ordinary EDS Shares in issue as enlarged by the allotment and issue of the Ordinary Subscription EDS Shares and Conversion Shares upon conversion of the Preferred Shares in full (assuming that there is no adjustment to the Conversion Price and there is no other change in the number of Ordinary EDS Shares in issue). The aggregate nominal value of the Ordinary Subscription EDS Shares is HK\$34,500,000.00.

Upon conversion of the Preferred Shares in full, assuming that there is no adjustment to the Conversion Price, 30,000,000 Conversion Shares will be allotted and issued, representing (i) approximately 40.11% of the number of Ordinary EDS Shares in issue as at the date of this joint announcement; (ii) approximately 7.15% of the number of Ordinary EDS Shares in issue as enlarged by the allotment and issue of the Ordinary Subscription EDS Shares but before conversion of any Preferred Shares (assuming that there is no other change in the number of Ordinary EDS Shares in issue); and (iii) approximately 6.67% of the number of Ordinary EDS Shares in issue as enlarged by the allotment and issue of the Ordinary Subscription EDS Shares and the Conversion Shares (assuming that there is no adjustment to the Conversion Price and there is no other change in the number of Ordinary EDS Shares in issue). The aggregate nominal value of the 30,000,000 Conversion Shares under the Preferred Shares is HK\$3,000,000.00.



## **The Subscription Price**

The Subscription Price of HK\$0.40 per Subscription Share represents (i) a discount of approximately 93.55% to the closing price of approximately HK\$6.20 per Ordinary EDS Share as quoted on the Stock Exchange on 16 February 2015, being the Last Trading Day; (ii) a discount of approximately 91.84% to the closing price of approximately HK\$4.90 per Ordinary EDS Share as quoted on the Stock Exchange on 13 February 2015, being the Last Full Trading Day; (iii) a discount of approximately 91.68% to the average closing price of approximately HK\$4.81 per Ordinary EDS Share for the last five consecutive Trading Days up to and including the Last Full Trading Day; and (iv) a discount of approximately 92.06% to the average closing price of approximately HK\$5.04 per Ordinary EDS Share for the last 10 consecutive Trading Days up to and including the Last Full Trading Day.

EDS recorded audited net assets attributable to owners of EDS of approximately HK\$45,299,000 as at 31 December 2014 (representing net assets per Ordinary EDS Share of approximately HK\$0.61 (based on 74,803,000 outstanding Ordinary EDS Shares in issue as at the date of this joint announcement) (the “Net Assets Per Ordinary EDS Share”)) and net tangible assets attributable to owners of EDS of approximately HK\$27,033,000 (representing net tangible assets per Ordinary EDS Share of approximately HK\$0.36 (based on 74,803,000 outstanding Ordinary EDS Shares in issue as at the date of this joint announcement) (the “Net Tangible Assets Per Ordinary EDS Share”)). The Subscription Price represents a discount of approximately 34.43% to the Net Assets Per Ordinary EDS Share and a premium of approximately 11.11% to the Net Tangible Assets Per Ordinary EDS Share.

The Subscription Price was arrived at after arm’s length negotiation between EDS and the Subscribers after taking into account the prevailing market price of the Ordinary EDS Shares, the trading volume of the Ordinary EDS Shares, the Net Assets Per Ordinary EDS Share, the Net Tangible Assets Per Ordinary EDS Share and the trading position and prospect of the EDS Group’s existing business. Although the Subscription Price represents discounts to the recent trading prices prior to the Last Trading Day and the Last Full Trading Day as shown above, the liquidity of the Ordinary EDS Shares on the Stock Exchange was low where the average daily turnover of the Ordinary EDS Shares for the six months prior to and including the Last Trading Day merely represents approximately 0.13% of the number of Ordinary EDS Shares in issue as at the date of this joint announcement. The EDS Group was loss making for the past four years and so far did not meet some of the plans and targets under the 2015 Forecast (as further detailed in “IMPLICATION OF RULE 10 OF THE TAKEOVERS CODE” below in this joint announcement). Taking into account the above factors, the EDS Directors consider that the Subscription Price (including the discounts to the latest closing prices of Ordinary EDS Shares prior to the date of the Subscription Agreement as described above) is fair and reasonable and in the interests of EDS and the EDS Shareholders as a whole.

Upon Completion, the Subscription Shares shall be issued and credited as fully paid.

The total Subscription Price amounts to HK\$150 million which shall be payable in cash by the Subscribers in proportion to their Subscription Shares subscribed upon Completion, subject to the following arrangement:

RFML is the financial adviser to EDS in connection with the Subscription and the Offer. First Bonus and RFML are both wholly-owned subsidiaries of REORIENT Group Limited, the shares of which are listed on the Main Board of the Stock Exchange. RFML will apply part of the financial advisory fee payable by EDS to RFML to set off against the subscription money payable by First Bonus in connection with First Bonus’ portion of the Subscription.

## Information on the Preferred Shares

A summary of the principal terms of the Preferred Shares is set out below:

- Subscription price : HK\$0.40 per Preferred Share.
- Dividend : None of the Preferred Shares shall confer on the holders thereof the right to receive out of the funds of EDS available for distribution.
- Return on capital : The Preferred Shares shall rank pari passu in all respects for return of capital on liquidation, winding up or dissolution of EDS and participation in the distribution of surplus assets of EDS with all other shares in the capital of EDS for the time being in issue.
- Transferability : Any Preferred Share, subject to it having been fully paid up, shall be freely transferable, provided that such transfer shall be in compliance with the conditions under the Subscription Agreement and further subject to (where applicable) the conditions, approvals, requirements and any other provisions of or under the Stock Exchange (and any other stock exchange on which the Ordinary EDS Shares may be listed at the relevant time) or its rules and regulations, the GEM Listing Rules, the Takeovers Code and all applicable laws and regulations.
- Voting : The Preferred Shareholder(s) will not be entitled to attend or vote at any general meeting of EDS by reason only of his/her/its being the holder(s) of the Preferred Shares, unless a resolution is to be proposed at a general meeting for winding up EDS or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the holder(s) of the Preferred Shares, in which event the Preferred Shares shall confer on the holder thereof the right to receive notice of, and to attend and vote at, the general meeting, save that such holders may not vote upon any business dealt with at such general meeting except the election of a chairman, any motion for adjournment or relating to the proceedings of the general meeting and the resolution for winding-up or the resolution which if passed would (subject to any consents required for such purpose being obtained) vary or abrogate the rights and privileges of the holder(s) of the Preferred Shares. In such event, the votes of holders of Preferred Shares will be counted on as converted basis.
- Conversion : Subject to the minimum public float requirement set out below, the Preferred Shares shall be convertible into Ordinary EDS Shares by such Preferred Shareholder serving a notice of Conversion to EDS on any Business Day within 3 years of the Completion Date without the payment of any additional consideration therefor, into such number of fully-paid Ordinary EDS Shares as determined in accordance with the Subscription Agreement.

EDS's obligation to effect conversion of fully paid Preferred Shares into Conversion Shares shall be subject to the minimum float requirement under the GEM Listing Rules being met.

Conversion period : The period commencing from the Completion Date and ending on the third anniversary of the Completion Date.

EDS undertakes to the Preferred Shareholders that in the event that EDS is unable to effect conversion of any outstanding Preferred Shares for the reason of the minimum public float requirement under the GEM Listing Rules, it shall, once headroom for conversion of such outstanding Preferred Shares is available, effect conversion of such outstanding Preferred Shares into Ordinary EDS Shares to maximum extent possible even if such conversion may be made after the expiry of the Conversion Period.

Conversion price : HK\$0.40, subject to customary adjustment for, among other matters, consolidation or sub-division of Ordinary EDS Shares and capitalization of profits or reserves.

Conversion rate : The conversion rate of each Preferred Share shall be determined by dividing the Subscription Price by the Conversion Price (subject to adjustment) in effect at the time of conversion, provided that the Conversion Price shall not be less than the then subsisting par value of an Ordinary EDS Share into which such Preferred Share is convertible.

Redemption : The Preferred Shares shall be non-redeemable.

### **The Specific Mandate for the issue of the Subscription Shares**

The Ordinary Subscription EDS Shares, the Preferred Shares and the Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent EDS Shareholders at the EDS SGM.

### **Ranking**

The Ordinary Subscription EDS Shares and the Conversion Shares will rank pari passu in all respects with the Ordinary EDS Shares in issue as at the date of allotment and issue of the Ordinary Subscription EDS Shares and the Conversion Shares respectively.

### **Listing application**

No application will be made for the listing of, or permission to deal in, the Preferred Shares on the Stock Exchange or any other stock exchange. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Ordinary Subscription EDS Shares and the Conversion Shares.

## Conditions of the Subscription

The Subscription is conditional upon satisfaction (or waiver (as described below)) of the following conditions:

1. the listing of the Ordinary EDS Shares not having been cancelled or withdrawn, the Ordinary EDS Shares continuing to be traded on GEM at all times from the date of the Subscription Agreement to the Completion Date (save for any temporary suspension pending announcement in connection with the Subscription Agreement (or such other period as the Subscriber may agree)) and neither the Stock Exchange nor the SFC having indicated that either one of them will qualify, object to, cancel or withdraw such listing and/or dealings in the Ordinary EDS Shares for reasons related to or arising from the transactions contemplated under the Subscription Agreement;
2. the passing of a resolution by the Independent EDS Shareholders in the EDS SGM approving, among other things:
  - 2.1 the execution, consummation and completion of the Subscription Agreement;
  - 2.2 the Redesignation Resolution;
  - 2.3 the Specific Mandate;
  - 2.4 where required under the GEM Listing Rules, the terms of Master Supply Agreement and the transactions contemplated thereunder and authorizing its execution thereof;
  - 2.5 a special resolution for amending the Bye-laws in respect of, among others, the creation, allotment and issue of a class of Preferred Shares with the rights, obligations and privileges attaching thereto;
3. the passing of a resolution by the Eternity Shareholders (or independent Eternity Shareholders, where applicable) in Eternity SGM approving, among other things, the Subscription which constitutes a deemed disposal and major transaction of Eternity under the Listing Rules;
4. the Stock Exchange having granted approval of the listing of, and permission to deal in, (i) the Ordinary Subscription EDS Shares and (ii) the Conversion Shares and such approval and granting of permission not having been withdrawn or revoked;
5. EDS having obtained all consent from the relevant governmental or regulatory authorities which are necessary to be obtained for the execution and performance of the Subscription Agreement by EDS and any of the transactions contemplated under the Subscription Agreement and the Master Supply Agreement;
6. the warranties specified in the Subscription Agreement remaining true, accurate and not misleading in all material respects at Completion by reference to the facts and circumstances subsisting as at the Completion Date;
7. EDS having complied fully with the pre-Completion obligations specified in the Subscription Agreement (including EDS procuring each member of the EDS Group to (i) carry on its business in the ordinary and usual course in accordance with all applicable laws, regulations and other requirements having the force of law in the same manner as it was operated prior to the date of the Subscription Agreement and use its reasonable

endeavours to maintain its trade and trade connections; (ii) settle all debts incurred in the ordinary and usual course of business within the applicable periods of credit; and (iii) give to the Subscribers as soon as reasonably practicable full details of any material change in its business, financial position and/or assets until Completion) and otherwise having performed in all material respects all of the covenants and agreements required to be performed by it under the Subscription Agreement;

8. there having been no material adverse change since the date of the Subscription Agreement;
9. EDS having obtained all consent from third parties which are necessary to be obtained for the execution and performance of the Subscription Agreement and the Master Supply Agreement by EDS and any of the transactions contemplated under the Subscription Agreement and the Master Supply Agreement;
10. no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal or regulatory restraint or prohibition preventing the consummation of the transactions contemplated under the Subscription Agreement and the Master Supply Agreement shall be in effect, nor shall any action have been taken by any person seeking any of the foregoing, and no statute, rule, regulation or order shall have been enacted, enforced or deemed applicable to the transactions contemplated under the Subscription Agreement or the Master Supply Agreement, which makes the consummation of which illegal;
11. no statute, regulation or decision which would prohibit or restrict the execution, delivery or performance of the Subscription Agreement or the Master Supply Agreement, the consummation of the transactions contemplated under the Subscription Agreement and the Master Supply Agreement having been proposed, enacted or taken by any governmental or official authority whether in Hong Kong, the PRC or elsewhere; and
12. Xing Hang having procured the delivery of a legal opinion (in the agreed form) addressed to EDS to be issued by a PRC law firm acceptable to EDS confirming, among other matters: (i) the power and authority of Donica to perform its obligations under the Master Supply Agreement; (ii) the legality, validity and enforceability of the Master Supply Agreement and the transactions contemplated thereunder; (iii) the validity of the relevant consents required to be obtained by the EDS Group for the transactions contemplated under the Master Supply Agreement; and (iv) such other matters as may be reasonably required by EDS.

The Subscribers may, jointly but not severally, in their absolute discretion waive conditions 6, 7 and 8 at any time by notice in writing to EDS. EDS may in its absolute discretion waive condition 12 at any time by notice in writing to the Subscribers. Conditions 1, 2, 3, 4, 5, 9, 10 and 11 cannot be waived by any party to the Subscription Agreement. Condition 12 cannot be waived by the Subscribers.

In the event that any of the above conditions shall not have been fulfilled or waived (as applicable) prior to the Long Stop Date, then none of EDS nor the Subscribers shall be bound to proceed with the transactions contemplated under the Subscription Agreement and the Subscription Agreement shall cease to be of any effect save for, among others, as to any antecedent breach of the Subscription Agreement.

## **Completion**

Completion shall take place within five Business Days from and excluding the day on which the last of the conditions precedent of the Subscription Agreement has been fulfilled or waived. At Completion, the Subscribers shall subscribe for, and EDS shall allot and issue to such Subscribers, their respective number of Ordinary Subscription EDS Shares and Preferred Shares.

## **Lock-up undertakings in relation to the Subscription Shares**

Xing Hang has entered into the Xing Hang's Lock-Up Undertaking, pursuant to which Xing Hang has undertaken to EDS that, effective from Completion, it will not, and will procure that none of its intermediate company(ies) (i.e. company(ies) through which Xing Hang directly or indirectly holds interests in the Subscription Shares) will, unless with the prior written consent of EDS, dispose of, transfer or sell all and any of (i) the Ordinary Subscription EDS Shares; and (ii) any Ordinary EDS Shares deriving therefrom as a result of share consolidation, subdivision or bonus issue, for a period during two years from Completion Date (the "Xing Hang's Lock-up Period"), provided that such restriction may be released and discharged by EDS with the consent of EDS Board.

Pursuant to the Xing Hang's Lock-Up Undertaking, Xing Hang has also undertaken to EDS that, effective from Completion, it will procure that Mr Cai Zhaoyang (who is the majority shareholder and the sole director of Xing Hang) will continue to hold not less than 50% shareholding (whether directly and indirectly) in Xing Hang during the Xing Hang's Lock-up Period, provided that such restriction may be released and discharged by EDS with the consent of EDS Board.

The Subscribers have entered into the Subscribers' Lock-Up Undertaking, pursuant to which each of the Subscribers has severally (but not jointly) undertaken to Eternity that, effective from Completion, it will not, and will procure that none of its respective intermediate company(ies) (i.e. company(ies) through which the respective Subscriber(s) directly or indirectly hold(s) interests in the Subscription Shares) will, unless with the prior written consent of Eternity, dispose of, transfer or sell all and any of (i) the Ordinary Subscription EDS Shares and/or Preferred Shares; and (ii) any Conversion Shares, for the period during which Eternity remains directly or indirectly interested in 22,490,150 Ordinary EDS Shares (representing 5.00% of the issued share capital of EDS as enlarged by the allotment and issue of the Ordinary Subscription EDS Shares and the Conversion Shares (assuming there is no adjustment to the Conversion Price in accordance with the terms of the Preferred Shares and that there is no other change in the number of the Ordinary EDS Shares in issue) or more, or for one year from the Completion Date, whichever is earlier (the "Subscribers' Lock-up Period"), provided that such restriction may be released and discharged by Eternity with the consent of Eternity Board.

Pursuant to the Subscribers' Lock-Up Undertaking, each of the Subscribers has also severally (but not jointly) undertaken to Eternity that, effective from Completion, it will procure that its beneficial owner(s) (direct or indirect) will not, unless with the prior written consent of Eternity, dispose of, transfer or sell all and any of his/her/its shareholding in the relevant Subscriber of which he/she/it is a beneficial owner, whether directly or indirectly held, during the Subscribers' Lock-up Period, provided that such restriction (or any part thereof) may be released and discharged by Eternity with the consent of Eternity Board.

## **Reasons for and benefits of the Subscription**

The EDS Group is principally engaged in the development, distribution and marketing of personal care treatments, products and services.

As mentioned in EDS's annual report for the six months ended 31 December 2014, the management of EDS noted detrimental factors affecting the local retail market in Hong Kong, including the slowdown of the growth of Mainland visitors to Hong Kong and the weakening of Mainland tourists' spending power. As mentioned in the announcement of the Census & Statistics Department of the Hong Kong Government in June 2014, the total retail sales value in April 2014 fell 9.8% year-on-year. After netting out the effect of price changes over the same period, the total retail sales volume in April 2014 fell 9.5% year-on-year.

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

WIFI connection and telecommunication have become a trend in ground-air connectivity for European and American airlines in recent years. The European Union has already approved in-flight cell phone calls, SMS, and email services in its airspace. Various countries are paying increasing attention to this market. It is reported that nearly all of the major American airlines now provide internet access for ground-air connectivity, with service charges ranging from USD5.00 to USD9.00 per hour.

In view of the increasingly fierce global competition of the civil aviation market, EDS understands that Chinese airline companies are also considering to provide internet access services similar to what their foreign counterparts are currently doing. To date, all three State-owned Chinese airlines have started in-flight WIFI service trials, indicating that the Chinese civil aviation industry has realized the demand for ground-air connectivity and the problem of information isolation during flight.

Compared to the booming of in-flight WIFI service abroad, such services in the PRC are still at the start-up stage, and have not yet been put into mass commercial use. In December 2014, the Civil Aviation Administration of China, which is the Chinese civil aviation authority, forecasted that the number of air travelers in the PRC would reach approximately 390 million in 2014, representing a 10.10% year-on-year increase, and that the civil aviation market would have targeted passenger traffic of 430 million in 2015.

According to a statistical report issued by China Internet Network Information Center (being an organization set up by the Computer Internet Information Center of Chinese Academy of Sciences pursuant to a decision of the Office of the Information Work Leading Group of the State Council of the PRC responsible for (i) the operation and administration of the internet in the PRC; (ii) security of the internet in the PRC; (iii) research on internet development and technology; (iv) provision of consultancy services; and (v) promotion of global cooperation and exchange of internet technology) in July 2014, by the end of June 2014, the PRC had 632 million Internet users, representing an increase of 14.42 million as compared with that at the end of 2013. The internet penetration rate was 46.9%, a growth of 1.1% as compared with that at the end of 2013. In the first half of 2014, the internet users who surfed the internet via mobile phones rose from 81.0% to 83.4%.

As the majority of the PRC's air passengers are now frequent flyers, EDS believes that in-flight WIFI services will become an increasingly influential factor for many passengers when making flight purchase decisions and the Chinese airline companies will allocate more resources to introduce new innovative services, such as in-flight shopping, through in-flight WIFI service that enhance passengers' travel experience. As such, EDS believes that there are good opportunities to develop business relating to in-flight WLAN and WIFI engineering and services in the PRC which will facilitate the provision of in-flight WLAN or WIFI connections.

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

Subject to the EDS Group obtaining the Qualifications (which may be held by a joint venture or a wholly foreign-owned enterprise in the PRC depending on the circumstances and relevant regulatory requirements in the PRC applicable at the relevant time), the EDS Group will further expand into the production of the In-flight WLAN and WIFI Equipment and the provision of related Services. If the EDS Group decides to set up a joint venture, EDS will comply with the requirements under Chapter 19 and/or Chapter 20 of the GEM Listing Rules as and when required.



In terms of the provision of on-line contents via the EDS Group's in-flight WLAN or WIFI network in the future, the EDS Group may set up a company (through certain contractual arrangements (i.e. a variable interest entity) depending on the relevant regulatory requirements in the PRC) in the PRC which will own an internet content provider licence (if necessary).

EDS intends to nominate Mr Cai Zhaoyang as a new executive EDS Director to the EDS Board and such appointment will not take effect earlier than the date of posting of the composite offer and response document in relation to the Offer, subject to the requirements of the Takeovers Code. Further information of Mr Cai Zhaoyang is set out in the section headed "Information on the Subscribers". With the assistance of Mr Cai Zhaoyang, the EDS Group plans to build up its own teams for the above proposed in-flight WLAN and WIFI engineering and service business. EDS understands from Xing Hang that Xing Hang will use its best endeavours to procure the EDS Group to obtain the Qualifications within 18 months from Completion pursuant to the undertaking given by Xing Hang to Success Far under the Term Loan Agreement as detailed in the section headed "Term Loan Agreement". The Qualifications will enable the EDS Group to manufacture and provide installation assistance and after-sale services in respect of certain WLAN and WIFI communication equipment to be used on airplanes in the PRC.

The EDS Directors consider that the terms of the Subscription Agreement are fair and reasonable and the transactions contemplated thereunder are in the interests of EDS and the EDS Shareholders as a whole.

#### **Effect on shareholding structure of EDS**

As at the date of this joint announcement, EDS has no outstanding convertible securities, options, warrants or derivatives in issue which are convertible or exchangeable into Ordinary EDS Shares.

The table below sets out the effect of the Subscription on the shareholding structure of EDS immediately upon (i) Completion, assuming no Preferred Shares are converted; and (ii) Completion and conversion in full of the Preferred Shares, assuming no further Ordinary EDS Shares will be issued between Completion and the date until all of the Preferred Shares have been fully converted.

	As at the date of this joint announcement		Immediately upon Completion assuming no Preferred Shares are converted		Immediately upon Completion and conversion in full of the Preferred Shares, assuming no further Ordinary EDS Shares are issued (Note 9)	
	Numbers of Ordinary EDS Shares	Approximate %	Numbers of Ordinary EDS Shares	Approximate %	Numbers of Ordinary EDS Shares	Approximate %
<b>Eternity (Note 1)</b>	52,500,000	70.18%	52,500,000	12.51%	52,500,000	11.67%
<b>The Subscribers, who are parties acting concert</b>						
Xing Hang (Note 2)	—	0.00%	179,921,200	42.86%	179,921,200	40.00%
Goldenland (Note 3)	—	0.00%	45,396,178	10.81%	45,396,178	10.09%
Silver Empire (Note 4)	—	0.00%	37,861,665	9.02%	37,861,665	8.42%
Truly Elite (Note 5)	—	0.00%	41,628,921	9.92%	41,628,921	9.25%
High Aim (Note 6)	—	0.00%	26,697,946	6.36%	56,697,946	12.61%
First Bonus (Note 7)	—	0.00%	13,494,090	3.21%	13,494,090	3.00%
<b>Existing public EDS Shareholders</b>						
Kingston Securities (Note 8)	96	0.00%	96	0.00%	96	0.00%
Other public EDS Shareholders	<u>22,302,904</u>	<u>29.82%</u>	<u>22,302,904</u>	<u>5.31%</u>	<u>22,302,904</u>	<u>4.96%</u>
<b>Total</b>	<b><u>74,803,000</u></b>	<b><u>100.00%</u></b>	<b><u>419,803,000</u></b>	<b><u>100.00%</u></b>	<b><u>449,803,000</u></b>	<b><u>100.00%</u></b>
Total public shareholding (Note 9)	<u>22,303,000</u>	<u>29.82%</u>	<u>141,985,622</u>	<u>33.82%</u>	<u>101,793,586</u>	<u>22.63%</u>
Xing Hang and parties acting in concert with it (Note 9)	<u>52,500,096</u>	<u>70.18%</u>	<u>397,500,096</u>	<u>94.69%</u>	<u>427,500,096</u>	<u>95.04%</u>
Number of Ordinary EDS Shares subject to the Offer	<u>38,302,904</u>	<u>51.21%</u>	<u>38,302,904</u>	<u>9.12%</u>	<u>38,302,904</u>	<u>8.52%</u>

Notes:

- As at the date of this joint announcement, New Cove was interested in 52,500,000 Ordinary EDS Shares. As New Cove is an indirect wholly-owned subsidiary of Eternity, Eternity is deemed to be interested in such 52,500,000 Ordinary EDS Shares.
- 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.
- Goldenland is ultimately owned as to 50% by Mr Liu Jin and 50% by Ms Xue Siman. Goldenland is a party acting in concert with Xing Hang.
- Silver Empire is wholly owned by Genius Earn Limited which is ultimately wholly owned by Mr Liu Xiao Lin. As (i) Silver Empire is not a director, chief executive or substantial shareholder of EDS or any of its subsidiaries or a close associate of any of them (collectively, “Core Connected Person”); (ii) its subscription of its portion of the Subscription Shares is not financed by any Core Connected Person of EDS; and (iii) it is not accustomed to take instructions from any Core Connected Persons of EDS in relation to the acquisition, disposal, voting or other disposition of its portion of the Subscription Shares; and (iv) given that Silver Empire will not as a result of the Subscription or otherwise become a Core Connected Person of EDS upon

Completion and upon full conversion of the Preferred Shares as shown above, it shall be regarded as a public EDS Shareholder upon Completion and upon full conversion of the Preferred Shares. Silver Empire is a party acting in concert with Xing Hang.

5. Truly Elite is ultimately wholly owned by Mr Yeung Heung Yeung. As (i) Truly Elite is not a Core Connected Person of EDS; (ii) its subscription of its portion of the Subscription Shares is not financed by any Core Connected Person of EDS; and (iii) it is not accustomed to take instructions from any Core Connected Persons of EDS in relation to the acquisition, disposal, voting or other disposition of its portion of the Subscription Shares; and (iv) given that Truly Elite will not as a result of the Subscription or otherwise become a Core Connected Person of EDS upon Completion and upon full conversion of the Preferred Shares as shown above, it shall be regarded as a public EDS Shareholder upon Completion and upon full conversion of the Preferred Shares. Truly Elite is a party acting in concert with Xing Hang.
6. High Aim is ultimately wholly owned by Mr Ko Chun Shun, Johnson. As (i) High Aim is not a Core Connected Person of EDS; (ii) its subscription of its portion of the Subscription Shares is not financed by any Core Connected Person of EDS; and (iii) it is not accustomed to take instructions from any Core Connected Persons of EDS in relation to the acquisition, disposal, voting or other disposition of its portion of the Subscription Shares; and (iv) given that High Aim will not as a result of the Subscription or otherwise become a Core Connected Person of EDS upon Completion as shown above, it shall be regarded as a public EDS Shareholder upon Completion. High Aim is a party acting in concert with Xing Hang.
7. 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. Mr Ko Chun Shun, Johnson is an executive director and the controlling shareholder (as defined under the Listing Rules) of REORIENT Group Limited. As (i) First Bonus is not a Core Connected Person of EDS; (ii) its subscription of its portion of the Subscription Shares is not financed by any Core Connected Person of EDS; and (iii) it is not accustomed to take instructions from any Core Connected Persons of EDS in relation to the acquisition, disposal, voting or other disposition of its portion of the Subscription Shares; and (iv) given that First Bonus will not as a result of the Subscription or otherwise become a Core Connected Person of EDS upon Completion as shown above, it shall be regarded as a public EDS Shareholder upon Completion. First Bonus is a party acting in concert with Xing Hang.
8. As (i) Kingston Securities is not a Core Connected Person of EDS; and (ii) will not as a result of the Subscription or otherwise become a Core Connected Person of EDS upon Completion and upon full conversion of the Preferred Shares as shown above, it shall be regarded as a public EDS Shareholder upon Completion and upon full conversion of the Preferred Shares. Kingston Securities is a party acting in concert with Xing Hang.
9. Some of the Subscribers (being parties acting in concert with Xing Hang) will be regarded as public EDS Shareholders upon Completion and/or full conversion of the Preferred Shares. Accordingly, there is overlap between the public EDS Shareholders and Xing Hang and parties acting in concert with it and therefore the aggregate of the percentage shareholding of public EDS Shareholders and the percentage shareholding of Xing Hang and parties acting in concert with it add up to over 100%.
10. This scenario is shown for illustrative purposes only. Conversion of any Preferred Shares will be limited by EDS being able to comply with the minimum public float requirements under the GEM Listing Rules immediately after Conversion.

### **Information on the EDS Group**

The EDS Group is principally engaged in the development, distribution and marketing of personal care treatments, products and services.

EDS is a non-wholly owned subsidiary of Eternity.

The table below sets out the audited net loss of the EDS Group for the two years ended 30 June 2013 and 2014 and the six months ended 31 December 2014 (being the latest audited results of the EDS Group published in compliance with the GEM Listing Rules):

	<b>For the six months ended 31 December 2014</b>	For the year ended 30 June 2014	For the year ended 30 June 2013
	<b>HK\$'000 (audited)</b>	<i>HK\$'000 (audited)</i>	<i>HK\$'000 (audited)</i>
Loss before tax	<b>(46,216)</b>	(10,131)	(23,568)
Loss for the period/year	<b>(47,043)</b>	(10,618)	(23,568)

*Note:* The financial year end date of EDS has been changed from 30 June to 31 December commencing from the financial year ended 31 December 2014 (further information are described in the EDS's announcement dated 15 October 2014).

### **Information on the Subscribers**

Xing Hang is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately owned as to 82.5% by Mr Cai Zhaoyang (who is the majority shareholder and the sole director of Xing Hang), 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. Mr Cai Zhaoyang, is also the controlling shareholder of Donica, which is an avionic systems and solution provider in the PRC (please refer to the section headed "Information on Donica" under "THE MASTER SUPPLY AGREEMENT" for further information on Donica).

Mr Cai Zhaoyang, aged 38, is a founder of Donica (details of Donica are set out in the section headed "Information on Donica" under "THE MASTER SUPPLY AGREEMENT" below). He has been a shareholder of Donica since the incorporation of Donica in 2003. Mr Cai joined Donica as a supervisor in May 2007 and has become a director of Donica since October 2007. Mr Cai is the sole director of Xing Hang. Mr Cai has extensive experience, strong expertise and a wide business network in the avionic engineering and service business industry in the PRC. Mr Cai also serves as a deputy director and a council member of Shenzhen Institute of Avionics Technology (深圳市航電技術研究院), which is a non-state owned institute established by Mr Cai focusing on, among others, (i) technology research in the field of avionics; and (ii) research in the standards for avionics technology).

Leveraging Mr Cai's experience, Donica developed avionics products which obtained, among others, the certificates and approvals from the Civil Aviation Administration of China, Federal Aviation Administration and European Aviation Safety Agency. Donica's quality management system also obtained AS9100 certificate (being a standardized quality management system for the aerospace industry released by The International Aerospace Quality Group) and complies with requirements of Civil Aviation Administration of China, Federal Aviation Administration and European Aviation Safety Agency. Mr Cai graduated from Xidian University majoring in electromagnetic field and microwave technology in 1998 in the PRC.

Goldenland is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately owned as to 50% by Mr Liu Jin and 50% by Ms Xue Siman.

Silver Empire is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly owned by Genius Earn Limited which is ultimately wholly owned by Mr Liu Xiao Lin.

Truly Elite is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately wholly owned by Mr Yeung Heung Yeung.

High Aim is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately wholly owned by Mr Ko Chun Shun, Johnson.

First Bonus, a company incorporated in the British Virgin Islands with limited liability, is a wholly-owned subsidiary of Reorient Limited, a company incorporated in the British Virgin Islands with limited liability which 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 principally engaged in securities broking, placing and underwriting, and provision of consultancy and advisory services. Mr Ko Chun Shun, Johnson is an executive director and the controlling shareholder (as defined under the Listing Rules) of REORIENT Group Limited.

#### **Term Loan Agreement**

Xing Hang and Success Far entered into the Term Loan Agreement, the principal terms of which are as follows:

Date	:	17 February 2015
Borrower	:	Xing Hang
Lender	:	Success Far
Facility	:	Up to HK\$71,968,480
Interest	:	18% per annum
Repayment date	:	Unless otherwise waived by Success Far under the conditions to waiver of Loan below, Xing Hang shall repay the outstanding Loan in one lump sum on the date falling 18 months after the Loan is advanced.
Security	:	A share charge to be given by Xing Hang in favour of Success Far over the 179,921,200 Ordinary Subscription EDS Shares to be issued to Xing Hang under the Subscription will be duly executed and dated as soon as practicable and in any event no later than three Business Days after the Loan is advanced.
Use of proceeds	:	To finance the Subscription only

Conditions to : Xing Hang undertakes to use its best endeavours to procure the  
waive the Loan obtaining of the Qualifications by EDS. If on or prior to the date  
falling 18 months after the date of the loan advance, Xing Hang has  
provided evidence in form and substance satisfactory to Success Far  
that all the Qualifications have been obtained by EDS, then 100%  
of the then outstanding amount of the Loan and the accrued  
interest thereon shall be waived and/or forgiven by Success Far.

Success Far is a company incorporated in the British Virgin Islands with limited liability which is legally and beneficially owned as to approximately 20.85% by Silver Empire, 22.93% by Truly Elite, 25% by Goldenland and 31.22% by High Aim. Success Far is a party acting in concert with Xing Hang but Success Far and its ultimate beneficial owners are third parties independent of EDS and its connected persons. On 4 March 2015, Mr Ko Chun Shun, Johnson and Xing Hang entered into the Funding Undertaking, pursuant to which Mr Ko Chun Shun, Johnson has undertaken to Xing Hang to, among other things: (i) provide sufficient funding on behalf of High Aim and procure High Aim to in turn provide funding to Success Far by way of unsecured and interest-free shareholder's loan pro-rata to High Aim's shareholding in Success Far for the purpose of Success Far's performance of its lending obligation under the Term Loan Agreement; (ii) procure each of Silver Empire, Truly Elite and Goldenland and/or their respective beneficial owners to provide sufficient funding by way of unsecured and interest-free shareholder's loan pro-rata to their respective shareholdings in Success Far for the purpose of Success Far's performance of its lending obligation under the Term Loan Agreement; and (iii) if any of Silver Empire, Truly Elite and/or Goldenland shall fail to perform its undertaking in (ii) above (each a "Defaulting Lender Shareholder"), Mr Ko Chun Shun, Johnson shall provide the necessary funding to High Aim, and shall procure High Aim to in turn provide the necessary funding to Success Far by way of unsecured and interest-free shareholder's loan(s) in place of such Defaulting Lender Shareholder for the purpose of Success Far's performance of its lending obligation under the Term Loan Agreement.

#### **Future intention of the Subscribers regarding the EDS Group**

Xing Hang, together with other Subscribers, intends to assist the EDS Group to develop its in-flight WLAN and WIFI engineering and service business in the PRC. As at the date of this joint announcement, save for the possible sale and purchase of the In-flight WLAN and WIFI Equipment from Donica under the Master Supply Agreement, which is a revenue transaction necessary for the development of the in-flight WLAN and WIFI engineering and service business and the intention of Mr Cai Zhaoyang in helping the EDS Group to obtain the Qualifications, the Subscribers have not entered into any agreement, arrangements, understandings or negotiations in relation to the continued employment of the employees, disposal and/or redeployment of the assets (including the fixed assets) of the EDS Group, or termination or scaling down of any of the EDS Group's business other than in the ordinary course of business.

## Use of proceeds

The gross proceeds and the net proceeds from the Subscription are HK\$150 million and approximately HK\$135 million respectively. The net proceeds are to be applied as follows:

- as to HK\$125 million for acquiring equipment and developing in-flight WLAN and WIFI engineering and service business which include the provision of in-flight WLAN or WIFI connection equipment and/or other in-flight WLAN or WIFI connection solutions to airline companies; and
- as to the remaining balance of approximately HK\$10 million for general working capital of the EDS Group.

## Fund raising activities in the past 12 months

Set out below are the fund raising activities conducted by EDS in the past 12 months prior to the date of this joint announcement:

Date of announcement in respect of the completion of the fund raising activities

Event	Net proceeds	Intended use of proceeds	Actual use of proceeds	
22 May 2014	Issue of the Previous Convertible Bond with principal amount of HK\$40.00 million to New Cove	HK\$39.00 million	Intended to apply (i) HK\$20.00 million for acquisition of a business similar to the existing business of the EDS Group; (ii) HK\$4.00 million for the settlement of the professional fee; and HK\$15.00 million for the general working capital of the EDS Group.	HK\$15.00 million has been utilized for the acquisition of the Target Company (as defined below), HK\$4.00 million has been utilized for the settlement of professional fees, HK\$15.00 million has been utilized as general working capital and HK\$5.00 million has not been utilized.
8 August 2014	Issue of 19,061,000 new Ordinary EDS Shares at a subscription price of HK\$3.00 per Ordinary EDS Share by way of an open offer	HK\$54.00 million	Intended to apply all the net proceeds of the Open Offer for the repayment of a then outstanding loan indebted to Hong Kong Builders Finance Limited.	Used as intended.
28 August 2014	Placing of 2,620,000 new Ordinary EDS Shares at a placing price of HK\$3.15 per Ordinary EDS Share	HK\$7.86 million	Intended to apply approximately HK\$7.54 million and HK\$0.32 million of the net proceeds for the repayment of all the then outstanding loan of approximately HK\$7.54 million to Hong Kong Builders Finance Limited and general working capital of the EDS Group respectively.	HK\$7.54 million has been used for the repayment of all the then outstanding loan to Hong Kong Builders Finance Limited and HK\$0.32 million has not been utilized.

Save for the above, EDS has not conducted any other fund raising activities in the past 12 months before the date of this joint announcement.

## THE MASTER SUPPLY AGREEMENT

Pursuant to the Subscription Agreement, upon Completion, EDS and Donica shall enter into the Master Supply Agreement, whereby the EDS Group may purchase the In-flight WLAN and WIFI Equipment and the Services from Donica and Donica shall supply the In-flight

WLAN and WIFI Equipment exclusively and provide the Services to the EDS Group from time to time during the term of the Master Supply Agreement to be used by customers of the EDS Group.

### **Principal terms of the Master Supply Agreement**

- Supplier : Donica
- Purchaser : EDS
- Subject matter : Subject to purchase order(s) placed by EDS, Donica may from time to time during the term of the Master Supply Agreement supply to EDS the In-flight WLAN and WIFI Equipment and provide the Services.
- Term : Three years from the date of the Master Supply Agreement.
- Pricing : Under the Master Supply Agreement, EDS will regard Donica as a preferred supplier for and a cooperation partner for the modification of the In-flight WLAN and WIFI Equipment on the condition that Donica can provide the equipment and services of the necessary requested standards at market prices. For the In-flight WLAN and WIFI Equipment and the Services supplied by Donica under the Master Supply Agreement, EDS shall pay to Donica an aggregate price equivalent to the quantity purchased at the agreed unit prices of the In-flight WLAN and WIFI Equipment as specified in the Master Supply Agreement (which represent a substantial discount to the listed prices) plus the applicable value added tax rate, and the service charges charged by the independent engineering companies, which are qualified to provide the installation services, to Donica. Further discount for the In-flight WLAN and WIFI Equipment may be given if the EDS Group purchases up to a certain quantity within a certain period of time exceeding the amount as set out in the Master Supply Agreement.
- Payment : EDS shall pay 20% of the total amount of purchase to Donica within 15 days of order submission and the remaining 80% of the total amount upon receipt of invoice from Donica.
- The payments for the transactions contemplated under the Master Supply Agreement will initially be funded using the net proceeds from the Subscription.
- Undertaking : Donica will undertake to EDS that it will not carry out any business or activities which may be in conflict with and/or compete with the provision of the In-flight WLAN and WIFI Equipment by EDS to its customers; or any other business carried on by EDS.



The EDS Board proposes to set caps in respect of the transactions contemplated under the Master Supply Agreement for the three years ending 31 December 2015, 2016 and 2017 as follows:

<b>For the year ending</b>	<b>Total value not exceeding RMB\$'000</b>
31 December 2015	137,330
31 December 2016	199,690
31 December 2017	431,675

EDS has discussed its business plan on in-flight WLAN and WIFI engineering and service business with the Subscribers and Donica, and has determined the proposed caps based on the following principal factors (i) the target numbers of aircraft to be contracted by EDS Group for the installation of the In-flight WLAN and WIFI Equipment and provision of in-flight WLAN and WIFI services which in turns were determined based on (a) the growing global trend of providing in-flight WLAN or WIFI engineering and services and such trend in the PRC; (b) the number of aircraft owned by the target airlines in the PRC which have not installed in-flight WLAN connection equipment; (c) the estimated growth in the demand for in-flight WLAN or WIFI services in the PRC; (ii) the selling prices of the In-flight WLAN and WIFI Equipment under the Master Supply Agreement; and (iii) the current service charges payable by Donica to the independent engineering companies for the installation of Donica's In-flight WLAN and WIFI Equipment in aircraft with a possible inflation and other adjustments of 15% per year.

#### **Reasons for and benefits of the Master Supply Agreement**

As mentioned in the section headed "Reasons for and benefits of the Subscription" under "THE SUBSCRIPTION", the EDS Directors are of the view the Subscription represents a good opportunity to, among others, enable EDS Group to develop the in-flight WLAN and WIFI engineering and service business in parallel to its existing business.

EDS considers that it is beneficial to the EDS Group to leverage the experience, expertise and capability of Donica in the making and provision of the In-flight WLAN and WIFI Equipment and the Services for the development of the EDS Group's new in-flight WLAN or WIFI engineering and service business through the Master Supply Agreement.

In view of the above, the EDS Directors (excluding the independent non-executive EDS Directors, whose views will be provided after taking into account the opinion and advice from the Independent Financial Adviser) are of the view that the transactions contemplated under the Master Supply Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of EDS and in the interests of EDS and the EDS Shareholders as a whole, and that the terms and the proposed annual caps set out above are fair and reasonable and in the interests of EDS and the EDS Shareholders as a whole.

## **Information on Donica**

Donica is owned by Mr Cai Zhaoyang (who is the majority shareholder and the sole director of Xing Hang) as to 41.9825%, Mr Xie Yuehui as to 18.75%, Mr Lin Fan (who is a minority shareholder of Xing Hang) as to 17.625%, Mr Jin Yi as to 12%, Mr Li Chengjun as to 6.5175% and Mr Guo Pengcheng (who is a minority shareholder of Xing Hang) as to 3.125%. Donica is principally engaged in (i) the assembly and manufacture of in-flight entertainment systems, communication and navigation systems, security recording systems and other in-flight equipment as allowed under the requirements of the Civil Aviation Administration of China; and (ii) repairment of such in-flight equipment and parts.

Donica is a third party independent of EDS, Eternity and their respective connected persons.

## **Information on EDS Group**

Please refer to the section headed “Information on EDS Group” under “THE SUBSCRIPTION” of this joint announcement for further information on the EDS Group.

## **GEM Listing Rules Implications**

Donica is owned as to 41.9825% by Mr Cai Zhaoyang (who is the majority shareholder and the sole director of Xing Hang), 18.75% by Mr Xie Yuehui, 17.625% by Mr Lin Fan (who is a minority shareholder of Xing Hang), 12% by Mr Jin Yi, 6.5175% by Mr Li Chengjun and 3.125% by Mr Guo Pengcheng (who is a minority shareholder of Xing Hang). Upon Completion, Xing Hang will become the controlling shareholder (as defined under the GEM Listing Rules) of EDS, and therefore Donica will become an associate (as defined under the GEM Listing Rules) of Xing Hang and accordingly a connected person of EDS upon Completion. Accordingly, the transactions contemplated under the Master Supply Agreement will constitute continuing connected transactions for EDS under Chapter 20 of the GEM Listing Rules. Since the highest applicable percentage for the proposed annual caps for the transactions contemplated under the Master Supply Agreement is more than 5%, the transactions contemplated under the Master Supply Agreement shall be subject to approval by the Independent EDS Shareholders and the announcement, reporting and annual review requirements under Chapter 20 of the GEM Listing Rules.

None of the EDS Directors have a material interest in the transactions contemplated under the Master Supply Agreement. Accordingly, no EDS Director was required to abstain from voting on the board resolutions in respect of the Master Supply Agreement.

## **RECLASSIFICATION AND REDESIGNATION OF AUTHORIZED SHARE CAPITAL AND AMENDMENT TO BYE-LAWS**

As one of the conditions precedent to the Subscription, the EDS Board proposes to reclassify and redesignate the existing authorized share capital of EDS of HK\$500,000,000 comprising 5,000,000,000 Ordinary EDS Shares of par value of HK\$0.10 each to become HK\$500,000,000 comprising: (i) 4,950,000,000 Ordinary EDS Shares of par value of HK\$0.10 each; and (ii) 50,000,000 Preferred Shares of par value of HK\$0.10 each, with the rights, privileges and restrictions set out in the Bye-laws. The above reclassification and redesignation is conditional upon passing of an ordinary resolution by the Independent EDS Shareholders at the EDS SGM under the Redesignation Resolution.

The EDS Board further proposes to amend the Bye-laws to, among others, reflect (i) the reclassification and redesignation of the authorized share capital of EDS such that the authorized share capital of EDS will be changed from HK\$500,000,000 divided into 5,000,000,000 Ordinary EDS Shares to HK\$500,000,000 comprising (a) 4,950,000,000 Ordinary EDS Shares of par value of HK\$0.10 each; and (b) 50,000,000 Preferred Shares of par value of HK\$0.10 each; and (ii) the creation and issue of Preferred Shares with the rights, privileges and restrictions set out in the Bye-laws. Further information of the amendments will be included in the circular to be despatched to the EDS Shareholders. The above amendments to the Bye-laws are conditional upon, among others, the passing of a special resolution by Independent EDS Shareholders at the EDS SGM.

## **POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER**

Subject to fulfillment (or waiver as applicable) of the conditions precedent of the Subscription Agreement and following Completion, Xing Hang will own 179,921,200 Ordinary Subscription EDS Shares, representing approximately 240.53% of the Ordinary EDS Shares in issue as at the date of this joint announcement and approximately 42.86% of the Ordinary EDS Shares in issue as enlarged by the allotment and issue of the Subscription Shares (assuming that no Preferred Shares are converted into Conversion Shares and that there is no other change in the number of Ordinary EDS Shares in issue). Goldenland, Silver Empire, Truly Elite, High Aim and First Bonus, who are the other Subscribers, are considered parties acting in concert with Xing Hang. Eternity, being the controlling shareholder (as defined under the GEM Listing Rules) of EDS, has undertaken to Xing Hang not to accept the Offer in respect of the 36,500,000 Ordinary EDS Shares held by the Eternity Group (further details in respect of Eternity's undertaking are set out in the section headed "Undertakings in relation to the Offer" below) and the Subscribers have undertaken to Eternity, among other things, not to sell their respective holdings in the Subscription Shares (including any Conversion Shares) within one year after Completion or during the period which Eternity remains directly or indirectly interested in 22,490,150 Ordinary EDS Shares (representing 5.00% of the issued share capital of EDS as enlarged by the allotment and issue of the Ordinary Subscription EDS Shares and the Conversion Shares (assuming that there is no adjustment to the Conversion Price in accordance with the terms of the Preferred Shares and that there is no other change in the number of Ordinary EDS Shares in issue)) (whichever period is shorter). In view of these undertakings between Eternity and the Subscribers (as further detailed in the sections headed "Lock-up undertakings in relation to the Subscription Shares" and "Undertakings in relation to the Offer"), Eternity is regarded as a party acting in concert with Xing Hang. Kingston Securities, being an agent to make the Offer, is also regarded as a party acting in concert with Xing Hang.

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

Pursuant to Rule 26.1 of the Takeovers Code, Xing Hang will make the Offer. Save for the Eternity Group holding 52,500,000 Ordinary EDS Shares and Kingston Securities holding 96 Ordinary EDS Shares, as at the date of this joint announcement, Xing Hang or the parties acting in concert with it do not own any Ordinary EDS Shares or securities in EDS. The Offer will be made to all EDS Shareholders (excluding the holders of the Excluded EDS Shares). For the avoidance of doubt, the Offer will not be extended to: (i) the other Subscribers in respect of the Subscription Shares; (ii) Kingston Securities in respect of the 96 Ordinary EDS Shares held by it; and (iii) Eternity in respect of 36,500,000 Ordinary EDS Shares held by the Eternity Group, whilst the Offer will be extended to, among others, Eternity in respect of 16,000,000 Ordinary EDS Shares held by the Eternity Group.

Pursuant to Rule 21.2 of the Takeovers Code, Xing Hang and parties acting in concert with it (including, among others, the other Subscribers, Kingston Securities and Eternity) are prohibited from selling any securities in EDS during the Offer Period unless with the Executive's prior consent. None of Xing Hang and parties acting in concert with it will dispose of their holding in any securities in EDS during the Offer Period. For avoidance of doubt, Eternity is prohibited from selling any of the 52,500,000 Ordinary EDS Shares held by the Eternity Group (comprising the 36,500,000 Ordinary EDS Shares in respect of which the Eternity Group is prohibited from accepting the Offer pursuant to the Offer Non-Acceptance Undertaking, and the 16,000,000 Ordinary EDS Shares in respect of which the Eternity Group is not prohibited from accepting the Offer pursuant to the Offer Non-Acceptance Undertaking) on market pursuant to Rule 21.2 of the Takeovers Code.

### **Principal terms of the Offer**

Pursuant to the Subscription Agreement, Xing Hang has undertaken to EDS, following and subject to Completion, to comply with its obligations under the Takeovers Code, and in particular to make the Offer to the holders of the Offer Shares on the terms to be set out in the composite offer and response document to be issued in accordance with the Takeovers Code. The Offer will be made by Kingston Securities on behalf of Xing Hang in accordance with the Takeovers Code on the following basis:

For each Offer Share . . . . . HK\$4.07 payable in cash

The Offer Price represents the closing price of the Ordinary EDS Shares quoted on the Stock Exchange on 25 September 2014, being the date on which the Eternity Group served the conversion notice to EDS to convert the principal amount of HK\$15,000,000 of the Previous Convertible Bonds into 15,000,000 Ordinary EDS Shares as further detailed in the section headed "Dealing in EDS's securities" in this joint announcement. Such conversion is regarded as an acquisition of voting rights in EDS by the Eternity Group for the purposes of the Takeovers Code. Eternity is considered a party acting in concert with Xing Hang as a result of certain non-disposal undertakings between them as detailed in the sections headed "Lock-up undertakings in relation to the Subscription Shares" and "Undertakings in relation to the Offer" in this joint announcement.

The Offer Shares acquired under the Offer shall be fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third-party rights of any nature and together with all rights attaching to them on or after the date on which the Offer is made, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made.

Apart from the 74,803,000 Ordinary EDS Shares in issue, EDS has no other class of relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) in issue as at the date of this joint announcement. The Offer, if and when made, will be unconditional in all respects. Acceptance of the Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

As further described below in the section headed “Undertakings in relation to the Offer”, Eternity has undertaken to Xing Hang that it will not accept the Offer in respect of 36,500,000 Ordinary EDS Shares held by the Eternity Group unless with the prior written consent of Xing Hang. Xing Hang has confirmed to Kingston Corporate Finance that it does not intend to grant such consent to Eternity for the acceptance of the Offer in respect of any of its 36,500,000 Ordinary EDS Shares. For avoidance of doubt, the Eternity Group does not intend to accept the Offer in respect of the 16,000,000 Ordinary EDS Shares held by it, which acceptance is not prohibited pursuant to the Offer Non-Acceptance Undertaking.

### **Comparisons of value**

The Offer Price of HK\$4.07 per Offer Share represents:

- (a) a discount of approximately 34.35% to the closing price of HK\$6.20 per Ordinary EDS Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 16.94% to the closing price of HK\$4.90 per Ordinary EDS Shares as quoted on the Stock Exchange on the Last Full Trading Date;
- (c) a discount of approximately 15.38% to the average closing price of approximately HK\$4.81 per Ordinary EDS Share as quoted on the Stock Exchange for the last five Trading Days up to and including the Last Full Trading Day;
- (d) a discount of approximately 19.25% to the average closing price of approximately HK\$5.04 per Ordinary EDS Share as quoted on the Stock Exchange for the last 10 Trading Days up to and including the Last Full Trading Day;
- (e) a premium of approximately 7.39% over the average closing price of approximately HK\$3.79 per Ordinary EDS Share as quoted on the Stock Exchange for the last 30 Trading Days up to and including the Last Full Trading Day; and
- (f) a premium of 567.21% over the Net Assets Per Ordinary EDS Share of approximately HK\$0.61 and a premium of 1,030.56% over the Net Tangible Assets Per Ordinary EDS Share of approximately HK\$0.36.

### **Highest and lowest Ordinary EDS Share prices**

During the period commencing six months preceding 21 January 2015 (being the date of the initial announcement of EDS regarding a possible change in control of EDS and the date of commencement of the Offer Period) and ending on the Last Trading Day, the highest closing price of the Ordinary EDS Shares was HK\$6.20 per Ordinary EDS Share as quoted on the Stock Exchange on the Last Trading Day and the lowest closing price of the Ordinary EDS Shares was HK\$2.09 per Ordinary EDS Share as quoted on the Stock Exchange on 6 January 2015, 7 January 2015 and 8 January 2015 respectively.

## **Total consideration for the Offer**

EDS confirms that no new share options will be granted under the Share Option Scheme until the close of the Offer. Apart from the 74,803,000 Ordinary EDS Shares in issue, EDS has no other options, warrants, convertible bonds or other securities in issue that carry a right to subscribe for or which are convertible into Ordinary EDS Shares as at the date of this joint announcement. Upon Completion, taking into account the 381,500,096 Excluded EDS Shares, the number of Ordinary EDS Shares subject to the Offer is 38,302,904 and the maximum consideration Xing Hang will be required to pay under the Offer is approximately HK\$155.9 million if the Offer is accepted in full.

## **Confirmation of financial resources**

Xing Hang will finance and satisfy the cash consideration payable under the Offer by a term loan facility granted by High Aim under the High Aim Loan Agreement. Kingston Corporate Finance, as the financial adviser to Xing Hang, is satisfied that sufficient resources are, and will remain, available to Xing Hang to satisfy full acceptance of the Offer.

## **Payment**

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven Business Days (as defined in the Takeovers Code) of the date on which the duly completed acceptances of the Offer and the relevant documents of title are received by or on behalf of Xing Hang to render each such acceptance complete and valid.

## **Hong Kong stamp duty**

Seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by relevant EDS Shareholders at a rate of 0.10% of (a) the value of the Ordinary EDS Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong); (b) consideration payable by Xing Hang in respect of the relevant acceptances of the Offer, whichever is higher, and the amount of such duty will be deducted from the cash amount payable by Xing Hang to the EDS Shareholders accepting the Offer. Xing Hang will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant EDS Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Ordinary EDS Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

## **Availability of the Offer**

Xing Hang intends to make the Offer available to all EDS Shareholders (excluding the holders of the Excluded EDS Shares), including those who are resident outside Hong Kong. The availability of the Offer to persons not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Such overseas EDS Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. Persons who are resident, citizen or national outside Hong Kong should inform themselves about and observe, at their own responsibility, any applicable laws, regulations, requirements and restrictions in their own jurisdictions in connection with the acceptance of the Offer, including the obtaining of any

governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other fares due in such jurisdiction.

In the event that the receipt of the composite offer and response document by overseas EDS Shareholders is prohibited by any relevant laws and regulations or may only be effected upon compliance with conditions or requirements that would be unduly burdensome, the composite offer and response document, subject to the Executive's consent, will not to be despatched to such overseas EDS Shareholders. Xing Hang will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Nonetheless, such EDS Shareholders will be provided with all material information in the composite offer and response document. Any arrangements for overseas EDS Shareholders to collect the composite offer and response document will be set out in a further announcement.

**Any acceptance by any EDS Shareholders of the Offer will be deemed to constitute a representation and warranty from such EDS Shareholders to Xing Hang that all local laws and requirements have been complied with. EDS Shareholders should consult their professional advisers if in doubt. EDS Shareholders who are in doubt as to the action they should take should consult their stockbroker, licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.**

#### **Dealing in EDS's securities**

Given the arrangements under the respective undertakings given by Eternity and the Subscribers as described in the sections headed "Lock-up undertakings in relation to the Subscription Shares" and "Undertakings in relation to the Offer" in this joint announcement, Eternity is considered as a party acting in concert with Xing Hang. Xing Hang and the parties acting in concert with it had the following dealings in EDS's securities within six months prior to 21 January 2015:

1. on 22 July 2014, the Eternity Group subscribed for 12,500,000 new Ordinary EDS Shares under the Open Offer at a subscription price of HK\$3.00 per Ordinary EDS Share. The 12,500,000 new Ordinary EDS Shares were allotted and issued to the Eternity Group on 11 August 2014; and
2. on 30 September 2014, the Eternity Group was allotted and issued 15,000,000 new Ordinary EDS Shares pursuant to a conversion notice served to EDS on 25 September 2014 in respect of the conversion of the remaining of the Previous Convertible Bonds with a principal amount of HK\$15,000,000 at a conversion price of HK\$1.00 per conversion share of EDS. The Previous Convertible Bonds were subscribed for by the Eternity Group at par on 22 May 2014. With reference to Note 2(c) to Rule 26.3 of the Takeovers Code, the weighted average traded price of board lots of the Ordinary EDS Shares on 25 September 2014 was approximately HK\$4.0207 per Ordinary EDS Share.

Save for the above and the entering into of the Subscription Agreement, none of Xing Hang or parties acting in concert with it have dealt in the Ordinary EDS Shares, options, convertible notes, derivatives, warrants or other securities convertible into the Shares during the six-month period prior to the commencement of the Offer Period on 21 January 2015 (being the date of the initial announcement of EDS in respect of a possible change in control of EDS) and up to the date of this joint announcement.

## **Agreements or arrangements**

Xing Hang confirms that as at the date of this joint announcement and save for the Transaction Documents, (a) there are no agreements or arrangements to which Xing Hang and/or parties acting in concert with it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; and (b) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Ordinary EDS Shares or the shares of Xing Hang which might be material to the Offer.

Xing Hang further confirms that as at the date of this joint announcement, (a) Xing Hang and/or parties acting in concert with it have not received any irrevocable commitment to accept or reject the Offer save for the Offer Non-Acceptance Undertaking as detailed in the section headed “Undertakings in relation to the Offer”; (b) save for the Subscription Agreement, there is no outstanding derivative in respect of securities in EDS which has been entered into by Xing Hang and/or parties acting in concert with it; (c) save for the Eternity Group holding 52,500,000 Ordinary EDS Shares and Kingston Securities holding 96 Ordinary EDS Shares, none of Xing Hang and/or parties acting in concert with it owns or has control or direction over any rights or voting rights over the Ordinary EDS Shares or convertible securities, options, warrants or derivatives of EDS; and (d) there is no relevant security (as defined in Note 4 to Rule 22 of the Takeovers Code) in EDS which Xing Hang and/or parties acting in concert with it has borrowed or lent.

## **Undertakings in relation to the Offer**

Eternity holds indirectly 52,500,000 Ordinary EDS Shares as at the date of this joint announcement. Eternity has entered into the Offer Non-Acceptance Undertaking, pursuant to which Eternity has undertaken to Xing Hang that Eternity will not, and will procure that none of its intermediate company(ies) (i.e. company(ies) through which Eternity directly or indirectly holds interests in the Ordinary EDS Shares) will, unless with the prior written consent of Xing Hang, accept the Offer in respect of 36,500,000 Ordinary EDS Shares held indirectly by Eternity or any part thereof during the period while the Offer remains open for acceptance.

The Subscribers (other than Xing Hang) have also entered into the Offer Non-Acceptance Undertaking, pursuant to which each of Goldenland, Silver Empire, Truly Elite, High Aim and First Bonus, each being a Subscriber, has severally (and not jointly) undertaken to Xing Hang that, each of them will not, and will procure that none of their respective intermediate company(ies) (i.e. company(ies) through which the respective Subscriber(s) directly or indirectly hold(s) interests in the Ordinary EDS Shares) will, unless with the prior written consent of Xing Hang, accept the Offer in respect of any of the Ordinary EDS Shares (including any the Ordinary Subscription EDS Shares or Conversion Shares held by any of them) during the period while the Offer remains open for acceptance.



## **Maintaining the listing status of EDS**

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to EDS, being 25% of the number of Ordinary EDS Shares in issue, are held by the public at all time, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Ordinary EDS Shares; or
  - (b) there are insufficient Ordinary EDS Shares in public hands to maintain an orderly market,
- then, it will consider exercising its discretion to suspend dealings in the Ordinary EDS Shares.

Xing Hang intends to maintain the listing of the Ordinary EDS Shares on the Stock Exchange after the close of the Offer and will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that a sufficient public float exists for the Ordinary EDS Shares. Xing Hang does not intend to avail itself to any right or power which may be available to it in respect of the compulsory acquisition of any Ordinary EDS Shares outstanding after the close of the Offer. The sole director of Xing Hang, the existing EDS Directors and the new EDS Directors to be appointed to the EDS Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Ordinary EDS Shares.

## **Termination of the exclusive distribution agreement for “Evidens de Beauté” products**

Reference is made to the announcement of EDS dated 31 March 2015 in respect of the termination (the “Termination”) of the exclusive distribution agreement for “Evidens de Beauté” products in Hong Kong and Macau by EDS Distribution Limited, an indirect wholly-owned subsidiary of EDS. The Termination constitutes a frustrating action under Rule 4 of the Takeovers Code. EDS has obtained the consent of Xing Hang to the Termination. EDS has also applied for and obtained a waiver from the Executive from the requirement to obtain approval from the EDS Shareholders for the Termination.

## **IMPLICATION OF RULE 10 OF THE TAKEOVERS CODE**

Reference is made to the announcements of EDS dated 4 November 2013 (the “VSA Announcement”) and 11 April 2014 and the circular of EDS dated 21 March 2014 (the “Circular”) regarding the EDS Group’s acquisition (the “Acquisition”) of a 51% equity interest in and the shareholders’ loan due by China Honest Enterprises Limited (the “Target Company”).

### **The 2015 Profit Guarantee**

Under the sale and purchase agreement regarding the Acquisition, the vendors (being independent third parties) irrevocably and unconditionally warranted and guaranteed to the purchaser (being a wholly-owned subsidiary of EDS), among other things, that the profits before taxation and extraordinary items of the Target Company for the year ended 31 March 2015 will not be less than HK\$9,000,000 (the “2015 Profit Guarantee”). The Acquisition was completed on 11 April 2014 and the Target Company is now a 51% owned subsidiary of EDS.

EDS would like to draw to the attention of the EDS Shareholders and potential investors of EDS that the 2015 Profit Guarantee constitutes an existing profit forecast on public record under the note to Rule 10.1 of the Takeovers Code and will have to be reported on by both EDS's financial adviser in respect of the Offer and its accountants or auditor in accordance with Rule 10.4 of the Takeovers Code.

Given that the 2015 Profit Guarantee had been made before the Subscription and the resulting Offer was contemplated, the 2015 Profit Guarantee as set out in the VSA Announcement did not meet the standard required by Rule 10 of the Takeovers Code.

The reports on the 2015 Profit Guarantee as required under Rule 10 of the Takeovers Code will be contained in the next document to be sent to the EDS Shareholders by EDS, if EDS has not yet published its unaudited results announcement for the six months ending 30 June 2015 which contains the information on whether the 2015 Profit Guarantee is fulfilled or not based on the actual results of the Target Company for the year ended 31 March 2015 as certified by EDS's auditors.

**EDS Shareholders and potential investors of EDS should exercise caution in placing reliance on the 2015 Profit Guarantee in assessing the merits and demerits of the Subscription, the Offer and/or when dealing in EDS's securities.**

#### **The 2015 Profit Forecast**

In connection with the Acquisition, EDS has published the profit forecast of the EDS Group as enlarged by the Target Company for the 12-month period ending 30 June 2015 (the "2015 Profit Forecast"). Subsequently, EDS issued an announcement on 31 October 2014 (the "First Subsequent Announcement") stating, among other things, material deviations from the 2015 Profit Forecast. EDS issued a further announcement on 11 November 2014 (the "Second Subsequent Announcement") stating, among other things, the occurrence of events that might have negative impacts on the 2015 Profit Forecast.

The 2015 Profit Forecast is repeated as follows:

	<b>For the 12-month period ending 30 June 2015</b> <i>Approximately</i>
Forecast consolidated net profit for the 12-month period before extraordinary items and before taxation	HK\$15.55 million
Forecast consolidated net profit for the 12-month period after extraordinary items and taxation attributable to: Owner of EDS	HK\$7.27 million
Non-controlling interests	HK\$3.94 million
Unaudited pro forma forecast net profit for the 12-month period per Ordinary EDS Share attributable to owners of EDS	HK55.40 cents

*Notes:*

1. Extraordinary items to be incurred for the year ending 30 June 2015 would include (i) interest income on overdue receivable in relation to a refundable deposit of approximately HK\$3.13 million; (ii) professional fees regarding resumption and debt and assets recovery professional fees of approximately HK\$0.15 million; (iv) interest expenses of loan from Koffman Investment Limited and Eternity in an aggregate amount of approximately HK\$5.7 million. It is expected that provisional tax payment of the EDS Group for the year ending 30 June 2015 will be approximately HK\$1.59 million.
2. The calculation of unaudited pro forma forecast net profit per Ordinary EDS Share (assuming the capital reorganisation of EDS becoming effective) for the year ending 30 June 2015 was based on the forecast consolidated gross profit attributable to the EDS Shareholders for the year and approximately 13,122,000 Ordinary EDS Shares.

The basis and assumptions of the 2015 Forecast as set out in the Circular are repeated below.

1. The EDS Directors have prepared the forecast consolidated net profit attributable to the EDS Shareholders for the years ending 30 June 2014 and 2015 based on (i) the audited consolidated financial statements of the EDS Group for the year ended 30 June 2013; (ii) the audited financial statements of the Target Company for the year ended 31 March 2013 and for the six months ended 30 September 2013; (iii) the management accounts of the Target Company for the four months ended 31 January 2014; and (iv) the management accounts of the EDS Group for the seven months ended 31 January 2014. The forecast was prepared based on the accounting policies consistent in all material respects with those presently adopted by the EDS Group as set out in the audited financial statements of EDS for the year ended 30 June 2013.
2. For the financial years ending 30 June 2014 and 2015 (the “Forecast Period”), the EDS Group would principally engaged in the development, distribution and marketing of personal care treatment and products under the brand name “Evidens de Beauté” and the Target Company would principally engaged in the provision of therapy services, the sales of beauty products and provision of consultancy services. The average growth rate on revenue of the EDS Group would be approximately 194.6% for the year ending 30 June 2014 as compared to year ended 30 June 2013 and approximately 32.94% for the year ending 30 June 2015 as compared to year ending 30 June 2014 taking into account the retail sales derived from “Evidens de Beauté” products in the existing two point of sales at “La Spa Evidens” and World Trade Centre at Causeway Bay, the retail sales derived from “Blu Spa” products in the point of sales at Mikiki and wholesales derived from “Evidens de Beauté” products and “Blu Spa” products and the following new development plans of the EDS Group:
  - a. a new shop was expected to be opened in May 2014 at Repulse Bay and a new beauty counter was expected to be opened in November 2014 at Tsimshatsui;
  - b. consignment sales and wholesales business at the shops of several renowned high fashioned brand in Hong Kong and on internet procured by the management;
  - c. a new product line, “Extreme Line” of “Evidens de Beauté” products, would be/would have launched on the global market.

Based on the above expectations, the then management of EDS estimated that the gross profit ratio of the EDS Group would be about 46.4% in the amount of approximately HK\$11.1 million for the year ending 30 June 2014 and would further increase to approximately 48.4% in the amount of approximately HK\$15.4 million for the year

ending 30 June 2015. The major expenses of the EDS Group would be the costs of sales and advertising and promotion expenses including the advertising, event and exhibition and free products or treatment to beauty reporters for promotion etc. As new shop and new beauty counter would be opened in 2014, the management of EDS expected that the administrative expenses of the EDS Group would be increased for the years ending 30 June 2014 and 30 June 2015 compared to the year ended 30 June 2013. The management of EDS also expected that the advertising and promotion expenses of the EDS Group would also be increased for the years ending 30 June 2014 and 2015 as compared to that in the year ended 30 June 2013. The average growth rate on revenue of the Target Company would be approximately 45.60% for the year ending 30 June 2014 as compared to year ended 31 March 2013 and approximately 11.60% for the year ending 30 June 2015 as compared to year ending 30 June 2014. The expected increase of the average revenue of the Target Company for the year ending 31 March 2014 would be mainly contributed from therapy services at the new medical skin care centre and new policies implemented by the Target Company to enhance operation efficiency, including but not limited to (i) the establishment of a customer service department (“CSD”) which would focus on customer-care of the existing customers of the Target Company; and (ii) the reduction of direct costs through the revision of remuneration packages of the management of the Target Company and administrative expenses through the early termination of the tenancy agreement of an administrative office of the Target Company.

Based on the above expectations, the management of EDS estimated that the gross profit ratio of the Target Company to be about 39.25% in the amount of approximately HK\$13.9 million for the year ending 30 June 2014 and would further increase to 41.81% in the amount of approximately HK\$16.47 million for the year ending 30 June 2015. The major expenses of the Target Company would be the costs of sales, administrative expenses and the advertising and promotion expenses including the costs on advertising, event and exhibition and sponsorship. As there would be no major business expansion of the Target Company, the management of EDS expected that the costs of sales, administrative expenses and the advertising and promotion expenses of the Target Company for the year ended 30 June 2014 and for the year ending 30 June 2015 would not be materially differ from the year ended 30 June 2013.

3. Taking into account the financial performance of the EDS Group for the seven months ended 31 January 2014 and the Target Company for the ten months ended 31 January 2014 and the adoption of the new measures proposed by the EDS Directors which effectively increased the revenue and reduced the cost of sales as well as the administration expenses of the Target Company, the management of EDS expected a stable growth in the EDS Group’s business as compared to the year ended 30 June 2013 and the Target Company’s sales of beauty products and provision of consultancy and therapy services, including but not limited to which was the major cause to the expected increase in the forecast consolidated profit attributable to the EDS Shareholders (before extraordinary items and taxation) of the EDS Group in the Forecast Period as compared to the EDS Group’s consolidated loss attributable to the EDS Shareholders for the year ended 30 June 2013.
4. The Acquisition was expected to be completed on or before 17 April 2014.
5. The enlarged EDS Group after the Acquisition would be operated and developed as planned by the management of EDS.

6. There would be no material changes in existing political, legal, fiscal, foreign trade or economic condition in Hong Kong, Macau and the PRC in which the EDS Group carried on business throughout the Forecast Period and no material changes in the laws, regulations and policies in Hong Kong, Macau and the PRC which would affect the business that the enlarged EDS Group carried on throughout the Forecast Period.
7. There would be no material changes in the basis or rates of taxation, surcharges or government levies applicable to the operations of the enlarged EDS Group throughout the Forecast Period. The applicable rates of taxation for Hong Kong profits tax would be 16.5% throughout the Forecast Period.
8. There would be no disaster, natural, political or otherwise, which would materially disrupt the business or operations of the enlarged EDS Group or cause substantial loss, damage or destruction to its facilities throughout the Forecast Period.
9. There would be no material unforeseen capital expenditures and no abnormal or extraordinary items would occur.
10. There would be no interruption of the enlarged EDS Group's operations that would adversely affect the trading, financial and prospects of the enlarged EDS Group as a result of any other circumstances beyond management control.

When the 2015 Forecast was published, it was reported on by the then financial adviser to and the auditors of EDS in accordance with the GEM Listing Rules. The full text of reports issued by the then financial adviser and the auditors can be found in the Circular. It is stated in the report from the auditors that based on the information and documents made available to them, they reported their findings that (a) the Forecast (as defined in the letter from such EDS's auditors, which covered the 2015 Forecast), so far as the accounting policies and calculations are concerned, was properly compiled in accordance with the basis of the assumptions set out in the Circular; (b) the 2015 Forecast was made by the EDS Directors, after care and consideration by the EDS Board; (c) the 2015 Forecast was made in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants; and (d) the arithmetical calculations of the Forecast were correct. It is stated in the report from the then financial adviser that on the basis of the assumptions and calculations adopted by EDS (as summarized in the Circular and repeated below in this joint announcement) in respect of the Projections (as defined in the letter from such EDS's financial adviser, which covered the 2015 Forecast) after properly reviewed by the EDS Directors, it was of the view that the Projections, for which the EDS Directors were responsible, had been made after due and careful enquiry.

EDS would like to draw the attention of the EDS Shareholders and potential investors to the 2015 Profit Forecast which constitutes an existing profit forecast on public record under the Note to Rule 10.1 of the Takeovers Code. However, as the 2015 Profit Forecast was prepared before the Subscription and resulting Offer were contemplated, it did not meet the requirements under Rule 10 of the Takeovers Code which requires the 2015 Forecast to be reported on by both EDS's financial adviser in respect of the Offer and its current accountants or auditor in accordance with Rule 10.4 of the Takeovers Code.

The reports on the 2015 Profit Forecast as required under Rule 10 of the Takeovers Code will be contained in the next document to be sent to the EDS Shareholders, if EDS has not yet made its unaudited results announcement for the six months ending 30 June 2015 in accordance with the GEM Listing Rules at the time when such document is issued.

Moreover, EDS would like to draw the attention of EDS Shareholders and potential investors of EDS to the First Subsequent Announcement and the Second Subsequent Announcement which stated the occurrence of certain events that might have negative impact on the 2015 Profit Forecast as summarized below.

It is stated in the First Subsequent Announcement that under the 2015 Forecast, it was projected that the EDS Group would record a profit after taxation of approximately HK\$2.93 million for the 3-month period ended 30 September 2014. However, the actual results of the EDS Group as published in accordance with the GEM Listing Rules were a loss of approximately HK\$699,000.

In the Second Subsequent Announcement, the EDS Board stated that due to the occurrence of the following unforeseeable events (“Events”), there were deviations from the basis and assumptions of the 2015 Forecast:

*Deviations from the above basis and assumptions 2, 5 and 10*

- (A) The tenancy agreement for the point of sale at World Trade Centre was expired on 24 October 2014 without renewal as EDS and the landlord could not agree on the terms of the new tenancy agreement including the amount of the new rent. As a result, no revenue would be generated from this point of sales thereafter.
- (B) No tenancy agreement for the new shop at Repulse Bay was entered into with the landlord as EDS and the landlord could not agree on the terms of the tenancy agreement especially the occupancy rate on the floor where the new shop was located. As a result, no revenue would be generated from this new shop at Repulse Bay.
- (C) No tenancy agreement for the new beauty counter at Tsimshatsui was entered into with the landlord as EDS and the landlord could not agree on the terms of the tenancy agreement. As a result, no revenue would be generated from this new beauty counter at Tsimshatsui.
- (D) Revenue derived from consignment basis was below expectation. EDS did not renew one of the consignment agreements with a consignee which was expired in June 2014.
- (E) The sale derived from the wholesales business was below expectation.

As result of the occurrence of unforeseeable events (A) to (E) above, the sale of Evidens de Beauté products, the “Extreme Line” of the Evidens de Beauté products and sales from beauty treatment under the brand name of Evidens de Beauté may be adversely affected.

*Deviation from above basis and Note 1 to the 2015 Forecast*

- (F) As the outstanding loans due to Koffman Investment Limited and Eternity were respectively fully repaid by EDS before September 2014, the interest expenses to be incurred by these loans would be substantially reduced.
- (G) As a result of the issue of promissory notes and convertible bonds on 11 April 2014 and 22 May 2014 respectively, imputed interest expenses would be incurred in respect of these financial instruments for the 12-month period ending 30 June 2015.

(H) As a result of the possible drop in revenue due to the unforeseeable events (A) to (E) above, it was anticipated that the provisional tax payment of the EDS Group for the 12-month period ending 30 June 2015 would be reduced.

*Deviations from the above basis and assumptions 6 and 8*

- (I) The decline in growth of the number of Mainland visitors to Hong Kong and their spending power affected the whole retail sector in Hong Kong in the recent quarters of 2014.
- (J) The possible negative impact on the retail sector of Hong Kong due to the political event “Occupying Central” in Hong Kong.
- (K) Due to (I) and (J), the EDS Board adopted a relatively conservative approach for its business operations and expansion which was deviated from the EDS Board’s original approach when making the 2015 Profit Forecast. Such conservative approach included (i) closing down the existing high-rented retail shop in Causeway Bay (see (A) above) in order to minimize the rental expense and the administrative costs; and (ii) expanding the low-cost distribution channel by consignment sale. In June and August 2014, EDS entered into two consignment contracts with two independent third parties. The EDS Board considered the new approach adopted by EDS would be beneficial to and in the interests of EDS and the EDS Shareholders in long run.

**Given the above material deviations, the EDS Board would advise the EDS Shareholders and the potential investors of EDS not to place any reliance on the 2015 Profit Forecast in assessing the merits and demerits of the Subscription, the Offer and/or when dealing in EDS’s securities.**

**DEEMED DISPOSAL OF SHAREHOLDING INTEREST IN EDS BY ETERNITY**

As at the date of the Subscription Agreement, the Eternity Group held 52,500,000 Ordinary EDS Shares, representing approximately 70.18% of the then issued share capital of EDS. Upon Completion, the Eternity Group’s shareholding interest in EDS will be diluted from approximately 70.18% to approximately 11.67% (assuming that all Preferred Shares are converted into 30,000,000 Conversion Shares at the Conversion Price and that no further Ordinary EDS Shares are issued or bought back by EDS), representing a decrease of approximately 58.51%. Accordingly, the Subscription constitutes a deemed disposal of an approximately 58.51% shareholding interest in the issued share capital of EDS by Eternity pursuant to Rule 14.29 of the Listing Rules.

**Conditions of the Subscription**

Please refer to the section headed “Conditions of the Subscription” under “THE SUBSCRIPTION” of this joint announcement for details.

**Completion**

Please refer to the section headed “Completion” under “THE SUBSCRIPTION” of this joint announcement for details.

## Financial effects of the Subscription

On 22 May 2014, the Eternity Group subscribed for the Previous Convertible Bonds in the principal amount of HK\$40,000,000 at their face value for the purpose of participating in the development of the EDS Group and enabling the Eternity Group to diversify its business. The Previous Convertible Bonds did not bear any interest. Eternity confirms that save for the HK\$40,000,000 consideration, the Eternity Group has not paid any other amount to the EDS Group for the subscription of the Previous Convertible Bonds. Subject to the compliance with the public float requirement by EDS, the Previous Convertible Bonds carried rights entitling the holders thereof to convert their principal amount into Ordinary EDS Shares at an initial conversion price of HK\$1.00 per Ordinary EDS Share. On 2 July 2014, the Eternity Group converted the principal amount of HK\$25,000,000 of the Previous Convertible Bonds into 25,000,000 Ordinary EDS Shares at the initial conversion price of HK\$1.00 per Ordinary EDS Share. As a result of the conversion, EDS became a non-wholly owned subsidiary of Eternity. On 22 July 2014, the Eternity Group subscribed for 12,500,000 new Ordinary EDS Shares under the Open Offer at a subscription price of HK\$3.00 per Ordinary EDS Share for maintaining its controlling level of shareholding interest in EDS and facilitating Open Offer for raising additional capital for repayment of outstanding debts of EDS. On 30 September 2014, the Eternity Group converted the remaining principal amount of HK\$15,000,000 of the Previous Convertible Bonds into 15,000,000 Ordinary EDS Shares at the initial conversion price of HK\$1.00 per Ordinary EDS Share. Eternity confirms that save for the HK\$40,000,000 consideration paid to the EDS Group for the subscription of the Previous Convertible Bonds, no additional payment was made by the Eternity Group to EDS Group upon the above conversion or any other conversion of the Previous Convertible Bonds. Based on the above, the acquisition cost is HK\$1.476 per Ordinary EDS Share.

Upon Completion, the shareholding interest of the Eternity Group in EDS will be diluted from approximately 70.18% to approximately 11.67%. EDS will cease to be a subsidiary of Eternity and the 52,500,000 Ordinary EDS Shares held by the Eternity Group will be accounted for as available-for-sale financial assets in the Eternity Group's consolidated statement of financial position in accordance with Hong Kong Accounting Standard 39: Financial Instruments: Recognition and Measurement.

For illustration purpose, assuming that the Subscription had taken place on 31 December 2014, Eternity would have recorded a loss of approximately HK\$26.23 million as a result of the deemed disposal of approximately 58.51% of its shareholding interest in the issued share capital of EDS arising from the Subscription which is based on the fair value of the 52,500,000 Ordinary EDS Shares held by the Eternity Group, being approximately HK\$123.38 million based on the closing price of HK\$2.35 per Ordinary EDS Share as at 31 December 2014 minus (i) the carrying amount of the consolidated net assets value of the EDS Group attributable to the Eternity Group as at 31 December 2014 and adjusted for the financial effects of the Subscription (assuming that all Preferred Shares are converted into 30,000,000 Conversion Shares at the Conversion Price and that no further Ordinary EDS Shares are issued or bought back by EDS) attributable to the Eternity Group, being approximately HK\$19.00 million, (ii) the carrying amount of the goodwill on acquisition of EDS as at 31 December 2014, being approximately HK\$89.27 million, and (iii) the carrying amount of other reserve arising from change in ownership interests in EDS after EDS becoming a subsidiary of Eternity as at 31 December 2014, being approximately HK\$41.34 million.



It should note that the above financial effects of the Subscription are for illustration purpose only. The exact financial effects are dependent on the closing price of Ordinary EDS Shares on the date of Completion to be taken place and the carrying amount of the consolidated net assets value of the EDS Group attributable to the Eternity Group on the date of Completion to be taken place, and are subject to the review by Eternity's auditors.

### **Information on the EDS Group**

Please refer to the section headed "Information on the EDS Group" under "THE SUBSCRIPTION" of this joint announcement for details.

### **Information on Eternity**

Eternity is an investment holding company and its subsidiaries are principally engaged in distribution of films, sub-licensing of film rights, sale of financial assets, property investment, money lending, design and sale of jewelry products, and development, distribution and marketing of personal care treatments, products and services.

### **Reasons for and benefits of the Subscription**

The Eternity Board has considered the reasons for and benefits of the Subscription considered by the EDS Board as summarized in the section headed "Reasons for and benefits of the Subscription" above. The Eternity Board concurs with the EDS Board that the Subscription will be in the interests of EDS and the EDS Shareholders as a whole (including Eternity).

Whilst the shareholding interest of Eternity in EDS will significantly be diluted as a result of the Subscription, the Eternity Board considers that Eternity will continue to benefit from the Subscription and the proposed future business development of the EDS Group in the in-flight WLAN engineering and service business as a minority EDS Shareholder in view of the detrimental factors affecting the local retail market in Hong Kong, including the slowdown of the growth of Mainland visitors to Hong Kong and the weakening of Mainland tourists' spending power.

Based on the above, the Eternity Board considers that the Subscription is in the interests of Eternity and the Eternity Shareholders as a whole. The terms of the Subscription are fair and reasonable and the Subscription Agreement was entered into on normal commercial terms.

### **Listing Rules implications**

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the deemed disposal arising from the Subscription are above 25% but all applicable percentage ratios are less than 75%, the Subscription constitutes a major transaction of Eternity. Accordingly, the Subscription is subject to the reporting, announcement and shareholders' approval requirements being complied with by Eternity under the Listing Rules.

## **GENERAL**

### **The EDS SGM**

The issue of the Subscription Shares will be subject to, amongst other things, the approval of the Independent EDS Shareholders for the granting of the Specific Mandate and the Master Supply Agreement at the EDS SGM in accordance with the requirements of the GEM Listing Rules as well as the Redesignation Resolution and the proposed amendments to the Bye-laws.

The EDS SGM will be convened and held for the purposes of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder, the granting of the Specific Mandate, the Master Supply Agreement and the proposed annual caps in relation to the transactions contemplated thereunder, the Redesignation Resolution and the proposed amendments to the Bye-laws. The voting in relation to the Subscription Agreement and the transactions contemplated thereunder, the granting of the Specific Mandate, the Master Supply Agreement and the proposed annual caps in relation to the transactions contemplated thereunder, the Redesignation Resolution and the proposed amendments to the Bye-laws at the EDS SGM will be conducted by poll by the Independent EDS Shareholders. To the best knowledge of EDS Directors, apart from Eternity which is regarded as a party acting in concert with the Subscribers, no existing EDS Shareholder has a material interest in the above matters and therefore no EDS Shareholder (other than Eternity and its associates (as defined under the GEM Listing Rules)) is required to abstain from voting in relation to the resolutions concerning the Subscription Agreement and the transactions contemplated thereunder, the granting of the Specific Mandate, the Master Supply Agreement and the proposed annual caps in relation to the transactions contemplated thereunder, the Redesignation Resolution and the proposed amendments to the Bye-laws to be proposed at the EDS SGM. Accordingly, Eternity and its associates (as defined under the GEM Listing Rules) shall abstain from voting on the resolutions to be proposed at the EDS SGM. As at the date of this joint announcement, the Subscribers and parties acting in concert with Xing Hang (apart from Eternity and Kingston Securities which indirectly owned 52,500,000 Ordinary EDS Shares and directly owned 96 Ordinary EDS Shares respectively as at the date of this joint announcement) do not hold any Ordinary EDS Shares and accordingly will not be entitled to vote on any resolutions at the EDS SGM.

A circular containing, among other things, details of the Subscription, the granting of the Specific Mandate, the Master Supply Agreement, the Redesignation Resolution, the proposed amendments to the Bye-laws and a notice convening the EDS SGM is expected to be despatched on or before 7 May 2015.

### **The Eternity SGM**

The Eternity SGM will be convened and held for the purposes of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder. The voting in relation to the Subscription Agreement and the transactions contemplated thereunder at the Eternity SGM will be conducted by poll whereby any Eternity Shareholders and their associates (as defined under the Listing Rules) who have a material interest in the Subscription Agreement and the transactions contemplated thereunder shall abstain from voting on the resolutions in relation to the Subscription Agreement and the transactions contemplated thereunder to be proposed at the Eternity SGM. To the best of Eternity Directors' knowledge, none of the Eternity Shareholders is interested in the Subscription and, accordingly, no Eternity Shareholder is required to abstain from voting at the Eternity SGM in this regard. A circular containing, among other things, details of the Subscription, a notice of Eternity SGM and other information required under the Listing Rules, is expected to be despatched to Eternity Shareholders on or before 7 May 2015.

### **Independent Board Committee and Independent Financial Adviser**

The Independent Board Committee comprising all the independent non-executive EDS Directors, namely Mr Tam B Ray, Billy, Mr Chu Kin Wang, Peleus and Mr Tse Joseph, has been established to advise the Independent EDS Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. The Independent Board Committee will

appoint an Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer and in particular as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

A further announcement will be made by EDS as soon as practicable after the appointment of the Independent Financial Adviser is made.

### **Despatch of composite offer and response document**

Xing Hang and EDS intend that a composite offer and response document in connection with the Offer setting out, among other things, details of the Offer (accompanied by the acceptance and transfer form) and incorporating the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser on the Offer will be issued and despatched by Xing Hang and EDS jointly to the EDS Shareholders in accordance with the Takeovers Code. Pursuant to Rule 8.2 of the Takeovers Code, the composite offer and response document should be posted to the EDS Shareholders within 21 days of the date of this joint announcement or such other date as may be permitted by the Takeovers Code and agreed by the Executive and in compliance with the requirements of the Takeovers Code. The making of the Offer is conditional on Completion. Given Completion shall take place within five Business Days from and excluding the day on which the last of the conditions precedent of the Subscription Agreement has been fulfilled or waived (as the case may be as agreed among the parties to the Subscription Agreement), it is expected that Completion will take place on or before 26 June 2015 and will not take place within 21 days after the date of this joint announcement. As such, an application will be made to seek for the Executive's consent under Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of such composite offer and response document to be within seven days after Completion.

### **DEALING DISCLOSURE**

As required under Rule 3.8 of the Takeovers Code, associates of EDS and Xing Hang (including but not limited to a person who owns or controls 5% or more of any class of relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of EDS) are hereby reminded to disclose their dealings in any securities of EDS pursuant to the requirements of the Takeovers Code.

Reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code in accordance with Rule 3.8 of the Takeovers Code.

#### ***“Responsibilities of stockbrokers, banks and other intermediaries***

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

## **RESUMPTION OF TRADING IN ORDINARY EDS SHARES**

EDS has noted the increase in the price of the Ordinary EDS Shares prior to the trading halt on the Last Trading Date. Having made such enquiry with respect to EDS as is reasonable in the circumstances, save as disclosed above in this joint announcement, EDS confirms that it is not aware of any reasons for this price movement or of any information which must be announced to avoid a false market in EDS’s securities or of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance.

At the request of EDS, trading in the Ordinary EDS Shares has been suspended with effect from 2:45 p.m. on 16 February 2015. An application has been made by EDS for the resumption of trading in the Ordinary EDS Shares on the Stock Exchange with effect from 9:00 a.m. on 16 April 2015.

## **CONTINUAL SUSPENSION OF TRADING IN ETERNITY SHARES**

Trading in the Eternity Shares on the Stock Exchange has been suspended since 9:00 a.m. on 12 December 2014 and will continue to be suspended pending the release of announcements in relation to the two proposed acquisitions by the Eternity Group which, if materialize, constitute notifiable transactions of Eternity under the Listing Rules as mentioned in the announcement of Eternity dated 24 February 2015.

**Warning: The Subscription is subject to the fulfilment or waiver (as the case may be) of a number of conditions precedent set out under the section headed “Conditions of the Subscription” under “THE SUBSCRIPTION” in this joint announcement, including, among other things, approval by the Independent EDS Shareholders and approval of the Eternity Shareholders of the Subscription. As such, the Subscription may or may not proceed.**

**EDS Shareholders and potential investors are advised to exercise caution when dealing in the Ordinary EDS Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.**

**Eternity Shareholders and potential investors are advised to exercise caution when dealing in the Eternity Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.**

## **DEFINITIONS**

In this joint announcement, unless the context otherwise requires, the following terms have the following meanings:

- “acting in concert” has the same meaning as ascribed to it under the Takeovers Code and for the purposes of this joint announcement include parties actually or presumed to be acting in concert (unless rebutted) to obtain or consolidate control of EDS
- “associate(s)” has the same meaning as ascribed to it under the Takeovers Code, unless the contexts otherwise specify

“Business Day”	a day (except Saturday, and Sunday and public holiday) on which banks in Hong Kong are open for business
“Bye-laws”	Bye-laws of EDS
“close associate(s)”	has the same meaning as ascribed to it under the GEM Listing Rules
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Completion Date”	the date on which Completion occurs
“connected person(s)”	has the meaning as ascribed to it in the GEM Listing Rules or the Listing Rules (as the case may be)
“Consideration”	consideration for the Subscription, being in total of HK\$150,000,000
“Conversion”	completion of the conversion of the Preferred Shares in accordance with the terms of the Preferred Shares
“Conversion Period”	the period commencing from the Completion Date and ending on the third anniversary of the Completion Date
“Conversion Price”	the price of HK\$0.40 per Conversion Share, subject to the adjustments as stated in the Subscription Agreement
“Conversion Rights”	the rights attached to the Preferred Shares to convert the Preferred Shares into Conversion Shares
“Conversion Shares”	the new Ordinary EDS Shares to be issued by EDS upon conversion of the Preferred Shares pursuant to the terms and conditions attached to or endorsed on the Preferred Shares
“Deed of Charge and Assignment”	pursuant to the Term Loan Agreement, the deed of charge and assignment in relation to securities executed or to be executed by Xing Hang (as borrower) in favour of Success Far (as chargee)
“Donica”	Shenzhen Donica Electronic Technology Co., Ltd., a company incorporated in the PRC and 41.9825% owned by Mr Cai Zhaoyang (who is the majority shareholder and the sole director of Xing Hang), 18.75% by Mr Xie Yuehui, 17.625% by Mr Lin Fan (who is a minority shareholder of Xing Hang), 12% by Mr Jin Yi, 6.5175% by Mr Li Chengjun and 3.125% by Mr Guo Pengcheng (who is a minority shareholder of Xing Hang)
“EDS”	EDS Wellness Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda as an exempted company, the issued shares of which are listed on GEM
“EDS Board”	the board of EDS Directors
“EDS Director(s)”	the director(s) of EDS
“EDS Group”	EDS and its subsidiaries

“EDS SGM”	the special general meeting of EDS to be convened to approve the Subscription Agreement and the transactions contemplated thereunder, the granting of the Specific Mandate, the Master Supply Agreement and the proposed annual caps in relation to the transactions contemplated thereunder, the Redesignation Resolution and the proposed amendments to the Bye-laws
“EDS Shareholder(s)”	holder(s) of the Ordinary EDS Share(s)
“Eternity”	Eternity Investment Limited, an exempted company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Eternity Board”	the board of Eternity Director(s)
“Eternity Director(s)”	the director(s) of Eternity
“Eternity Group”	Eternity and its subsidiaries
“Eternity SGM”	a special general meeting of Eternity to be convened and held to consider, and if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder
“Eternity Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of Eternity
“Eternity Shareholder(s)”	the holder(s) of Eternity Share(s)
“Excluded EDS Shares”	Ordinary EDS Shares owned or agreed to be acquired by Xing Hang and parties acting in concert with it, including the 345,000,000 Ordinary EDS Subscription Shares which will be held by Xing Hang and parties acting in concert with it upon Completion, the 36,500,000 Ordinary EDS Shares in respect of which Eternity Group has undertaken not to accept the Offer and the 96 Ordinary EDS Shares held by Kingston Securities (being an agent to make the Offer) (but for the avoidance of doubt not including the 16,000,000 Ordinary EDS Shares held by the Eternity Group)
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Facility”	the term loan facility to be made available under the Term Loan Agreement
“First Bonus”	First Bonus International Limited, a company incorporated in the British Virgin Islands with limited liability

“Funding Undertaking”	the irrevocable funding undertaking dated 4 March 2015 entered into by Mr Ko Chun Shun, Johnson in favour of Xing Hang in respect of Mr Ko Chun Shun, Johnson’s undertakings to provide funding to Success Far as described in the section headed “Term Loan Agreement” of this joint announcement
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Goldenland”	Goldenland Mining & Investment Limited, a company incorporated in the British Virgin Islands with limited liability
“High Aim”	High Aim Global Limited, a company incorporated in the British Virgin Islands with limited liability
“High Aim Loan Agreement”	the loan agreement entered into between Xing Hang (as borrower) and High Aim (as lender) dated 17 February 2015 in respect of the loan granted by High Aim to Xing Hang for the purpose of financing the cash consideration payable by Xing Hang under the Offer
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the EDS Board established by the EDS Board, comprising all the independent non-executive EDS Directors, namely Mr Tam B Ray, Billy, Mr Chu Kin Wang, Peleus and Mr Tse Joseph, to advise the Independent EDS Shareholders in respect of the Offer
“Independent EDS Shareholders”	(i) for the purpose of the Subscription, the Specific Mandate, the Master Supply Agreement, the Redesignation Resolution and the amendment to the Bye-laws, EDS Shareholders other than the Subscribers, their respective associates and other Shareholders who have a material interest in any of the Subscription, the Specific Mandate, the Master Supply Agreement, the Redesignation Resolution and the amendment to the Bye-laws; and (ii) for the purpose of the Offer, EDS Shareholders other than the Subscribers and parties acting in concert with Xing Hang
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Independent Board Committee to advise the Independent Board Committee in respect of the Offer
“In-flight WLAN and WIFI Equipment”	certain WLAN equipment to be supplied by Donica to EDS under the Master Supply Agreement which allows connection that normally refers to as WIFI connection
“Kingston Corporate Finance”	Kingston Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to Xing Hang in respect of the Offer

“Kingston Securities”	Kingston Securities Limited, a corporation licensed to carry on type 1 (dealing in securities) regulated activities under the SFO which is making the Offer on behalf of Xing Hang
“Last Full Trading Day”	13 February 2015, being the last full trading day of the Ordinary EDS Shares immediately prior to the date of this joint announcement
“Last Trading Day”	16 February 2015, being the last trading day of the Ordinary EDS Shares immediately prior to the date of this joint announcement on which trading in Ordinary EDS Shares was halted at 2:45 p.m.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the principal amount drawn and for the time being outstanding under the Facility
“Long Stop Date”	19 June 2015 (or such other date as may be agreed by the parties to the Subscription Agreement in writing)
“Macau”	Macau Special Administrative Region of the PRC
“Master Supply Agreement”	the master supply agreement to be made upon Completion between EDS and Donica in respect of the sale and purchase of the In-flight WLAN and WIFI Equipment and the provision of related installation and maintenance services
“New Cove”	New Cove Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Eternity
“Offer”	subject to Completion, the unconditional mandatory cash offer to be made by Kingston Securities on behalf of Xing Hang to acquire all the issued Ordinary EDS Shares (other than the Excluded EDS Shares) at the Offer Price
“Offer Non-Acceptance Undertaking”	the deed of undertaking dated 17 February 2015 entered into by Eternity, Goldenland, Silver Empire, Truly Elite, High Aim and First Bonus in favour of Xing Hang in respect their respective undertakings not to accept the Offer as described in the section headed “Undertakings in relation to the Offer” of this joint announcement
“Offer Period”	commencing from 21 January 2015 to the date when the Offer lapses or the closing date of the Offer or such other date to which Xing Hang may decide to extend or revise the Offer in accordance with the Takeovers Code
“Offer Price”	the amount of HK\$4.07 per Offer Share
“Offer Share(s)”	the Ordinary EDS Share(s) which are subject of the Offer
“Open Offer”	the open offer of EDS issuing of 19,061,000 new Ordinary EDS Shares at a subscription price of HK\$3.00 per Ordinary EDS Share as detailed in the prospectus of EDS dated 17 July 2014



“Ordinary EDS Share(s)”	Ordinary EDS Share(s) of par value of HK\$0.10 each in the authorized share capital of EDS
“Ordinary Subscription EDS Shares”	345,000,000 new Ordinary EDS Shares, in aggregate, to be subscribed by any Subscriber(s)
“PRC” or “China”	The People’s Republic of China
“Preferred Shares”	new preferred shares of par value of HK\$0.10 each in the share capital of EDS to be created pursuant to the Redesignated Resolution
“Preferred Shareholder(s)”	at any time the person who is (are) for the time being the registered holder(s) of the Preferred Shares
“Previous Convertible Bonds”	the non-interest bearing convertible bonds with a total principal amount of HK\$40,000,000 and convertible into 40,000,000 Ordinary EDS Shares issued by EDS on 22 May 2014 and held by New Cove (further details of the issue of the Previous Convertible Bonds are disclosed in EDS’s announcements dated 21 March 2013, 30 October 2013 and 22 May 2014 and EDS’s circular dated 23 May 2013)
“Qualifications”	certifications and/or approvals issued by the Civil Aviation Administration of China and/or the relevant quality certification bodies and/or any other relevant authorities to approve the in-flight WIFI communication equipment designed and/or manufactured by the holder of the certificates and/or approvals to be used on airplanes in the PRC
“Redesignation Resolution”	the ordinary resolution to be passed by the Independent EDS Shareholders in EDS SGM reclassifying and redesignating the existing authorized share capital of EDS of HK\$500,000,000 comprising 5,000,000,000 Ordinary EDS Shares of par value of HK\$0.10 each into HK\$500,000,000 comprising (i) 4,950,000,000 Ordinary EDS Shares of par value of HK\$0.10 each; and (ii) 50,000,000 Preferred Shares of par value of HK\$0.10 each
“RFML”	REORIENT Financial Markets Limited
“RMB”	Renminbi, the lawful currency of the PRC
“Services”	certain supporting services in relation installation, testing, maintenance as specified in the Master Supply Agreement
“SFC”	the Securities and Futures Commission
“Share Option Scheme”	the share option scheme adopted by EDS on 7 November 2014
“Silver Empire”	Silver Empire Holding Limited, a company incorporated in the British Virgin Islands with limited liability

“Specific Mandate”	the specific mandate to be granted by the Independent EDS Shareholders to the EDS Board at the EDS SGM for the allotment and issue of the Ordinary Subscription EDS Shares, the Preferred Shares and the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	Xing Hang, Goldenland, Silver Empire, Truly Elite, High Aim and First Bonus, or any of them as the contexts may suggest
“Subscribers’ Lock-Up Undertaking”	the deed of undertaking dated 17 February 2015 entered into by the Subscribers in favour of Eternity in respect of their respective lock-up undertakings as described in the section headed “Lock-up undertakings in relation to the Subscription Shares” of this joint announcement
“Subscription”	the subscription of the Ordinary Subscription EDS Shares and Preferred Shares under the Subscription Agreement
“Subscription Agreement”	the subscription agreement in respect of the Subscription entered into between EDS and the Subscribers dated 17 February 2015
“Subscription Price”	HK\$0.40 per Subscription Share
“Subscription Shares”	collectively, the Ordinary Subscription EDS Shares and the Preferred Shares
“Success Far”	Success Far Holdings Limited, a company incorporated in the British Virgin Islands with limited liability 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
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC as amended from time to time
“Term Loan Agreement”	the term loan agreement entered into between Xing Hang (as borrower) and Success Far (as lender) dated 17 February 2015 in respect of the Facility
“Trading Day”	a day on which the Ordinary EDS Shares are traded on the Stock Exchange
“Transaction Documents”	collectively, the Subscription Agreement, the Term Loan Agreement, the Deed of Charge and Assignment, the Funding Undertaking, the Xing Hang’s Lock-Up Undertaking, the Subscribers’ Lock-Up Undertaking, the Offer Non-Acceptance Undertaking, the High Aim Loan Agreement and the guarantee dated 17 February 2015 entered into by Mr Cai Zhaoyang in favour of High Aim in respect of High Aim’s obligations under the Term Loan Agreement
“Truly Elite”	Truly Elite Limited, a company incorporated in the British Virgin Islands with limited liability

“USD”	United States dollars, the lawful currency of the United States
“WIFI”	Wireless Fidelity, a set of standards for WLAN based on the IEEE 802.11 specifications developed by the Institute of Electrical and Electronics Engineers, an independent non-profit organization based in the United States for establishing standards for computers formats and devices
“WLAN”	wireless local area network
“Xing Hang”	Xing Hang Limited, a company incorporated in the British Virgin Islands with limited liability
“Xing Hang’s Lock-Up Undertaking”	the deed of undertaking dated 17 February 2015 entered into by Xing Hang in favour of EDS in respect of its lock-up undertakings as described in the section headed “Lock-up undertakings in relation to the Subscription Shares” of this joint announcement

By Order of the Board  
**Xing Hang Limited**  
**Cai Zhaoyang**  
*Director*

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

By Order of the Board  
**Eternity Investment Limited**  
**Lei Hong Wai**  
*Chairman*

Hong Kong, 15 April 2015

*As at the date of this joint announcement, the sole director of Xing Hang is Mr Cai Zhaoyang.*

*The sole director of Xing Hang accepts full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to EDS, Eternity and the respective parties acting in concert with each of them) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this joint announcement (other than those expressed by EDS, Eternity and the respective parties acting in concert with each of them) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.*

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

*The EDS Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than those relating to the Subscribers, Eternity and the respective parties acting in concert with each of them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the Subscribers, Eternity and the respective parties acting in concert with each of them) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.*

*This joint announcement, for which EDS Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to EDS. EDS Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this joint announcement (other than those relating to Xing Hang, Eternity and the respective parties acting in concert with each of them) 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 joint announcement misleading.*

*This joint announcement 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 EDS’s website at [www.eds-wellness.com](http://www.eds-wellness.com).*

*As at the date of this joint announcement, the Eternity Board comprises four executive Eternity Directors, namely Mr Lei Hong Wai, Mr Cheung Kwok Wai, Elton, Mr Chan Kin Wah, Billy and Mr Cheung Kwok Fan; and three independent non-executive Eternity Directors, namely Mr Wan Shing Chi, Mr Ng Heung Yan and Mr Wong Tak Chuen.*

*The Eternity Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than those relating to the Subscribers, EDS and the respective parties acting in concert with each of them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the Subscribers, EDS and the respective parties acting in concert with each of them) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.*