



EPS Creative Health Technology Group Limited

(Incorporated in the Cayman Islands with limited liability)

(HKEX Stock code: 3860)

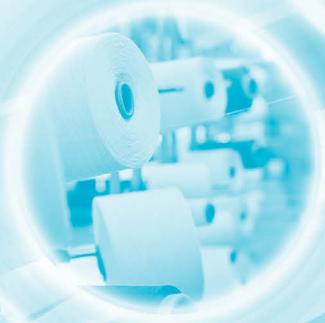


2022/2023

INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Okoso Satoshi (*Chairman and Chief executive officer*)
(*re-designated to an executive director and appointed as the chief executive officer on 12 July 2022*)

Mr. Miyano Tsumoru (*Managing Director*)
(*appointed on 12 July 2022*)

Mr. Gao Feng

Mr. Haribayashi Keikyo

Mr. Maezaki Masahiro (*appointed on 22 August 2022*)

Non-executive Director

Mr. Xia Xiangming (*appointed on 12 July 2022*)

Mr. Liang Fei (*resigned on 12 July 2022*)

Independent non-executive Directors

Mr. Taguchi Junichi

Mr. Choi Koon Ming

Mr. Chan Cheuk Ho

COMPANY SECRETARY

Mr. Chiu Chun Tak

COMPLIANCE OFFICER

Mr. Chiu Chun Tak

AUTHORISE REPRESENTATIVES

Mr. Gao Feng

Mr. Chiu Chun Tak

AUDIT COMMITTEE

Mr. Chan Cheuk Ho (*Chairman*)

Mr. Choi Koon Ming

Mr. Xia Xiangming

REMUNERATION COMMITTEE

Mr. Choi Koon Ming (*Chairman*)

Mr. Haribayashi Keikyo

Mr. Chan Cheuk Ho

NOMINATION COMMITTEE

Mr. Taguchi Junichi (*Chairman*)

Mr. Miyano Tsumoru

Mr. Chan Cheuk Ho

AUDITOR

KPMG

Certified Public Accountants

Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
8th Floor, Prince's Building, 10 Chater Road,
Central, Hong Kong.

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat A, 17/F., Gemstar Tower

23 Man Lok Street, Hung Hom

Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Michael Li & Co

PRINCIPAL BANKERS

MUFG Bank, Ltd.

The Hongkong and Shanghai Banking Corporation Limited

Shanghai Commercial Bank Limited

COMPANY'S WEBSITE

www.epshk.hk

STOCK CODE

3860

FINANCIAL HIGHLIGHTS

- Revenue of approximately HK\$228.0 million was recorded for the Reporting Period;
- Loss after taxation for the Reporting Period amounted to approximately HK\$8.4 million;
- Basic loss per share for the Reporting Period based on weighted average number of 500,000,000 ordinary shares of the Company was approximately 1.7 HK cents; and
- The Board does not recommend the payment of an interim dividend for the Reporting Period.

FINANCIAL INFORMATION

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of EPS Creative Health Technology Group Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2022 (the “**Reporting Period**”) together with comparative unaudited figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE (LOSS)/INCOME

For the six months ended 30 September 2022

		Six months ended	
		30 September	
		2022	2021
		HK\$'000	HK\$'000
	<i>Notes</i>	(unaudited)	(unaudited)
Revenue	4	227,964	245,768
Cost of sales		(184,950)	(215,168)
Gross profit		43,014	30,600
Interest income		17	13
Other income	6	310	59
Selling and distribution expenses		(21,114)	(16,059)
Administrative expenses		(22,875)	(11,990)
Research expenses for new drug development		(2,634)	(5,373)
Professional fees in relation to the unconditional mandatory cash offer		–	(1,439)
Finance costs		(2,774)	(258)
Loss before taxation	9	(6,056)	(4,447)
Income tax expense	7	(2,349)	(1,147)
Loss for the period		(8,405)	(5,594)

FINANCIAL INFORMATION

		Six months ended 30 September	
		2022	2021
		HK\$'000	HK\$'000
<i>Notes</i>		(unaudited)	(unaudited)
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
	Exchange differences on translation of foreign operations	762	93
Other comprehensive income for the period		762	93
Total comprehensive loss for the period		(7,643)	(5,501)
Loss for the period attributable to:			
	Owners of the Company	(7,842)	(5,425)
	Non-controlling interests	(563)	(169)
		(8,405)	(5,594)
Total comprehensive loss attributable to:			
	Owners of the Company	(7,153)	(5,337)
	Non-controlling interests	(490)	(164)
		(7,643)	(5,501)
Loss per share attributable to ordinary equity holders of the Company			
		HK cents	HK cents
	Basic loss per share for the period attributable to owners of the Company	(1.7)	(1.1)
10			

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

	Notes	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	1,573	1,454
Right-of-use assets	12	3,178	4,763
Other financial assets	13	3,648	2,977
Goodwill		2,622	–
Deferred tax assets		3	–
Intangible assets		217	–
Refundable rental deposits		131	994
		11,372	10,188
Current assets			
Inventories		13,649	9,406
Trade and other receivables	14	63,730	30,316
Tax recoverable		72	1,060
Pledged bank deposit		5,000	–
Bank and cash balances		162,990	197,950
		245,441	238,732
Current liabilities			
Trade and other payables	15	56,952	22,673
Amount due to a related party		20,973	21,432
Lease liabilities		2,521	2,679
Tax payable		4,063	1,024
		84,509	47,808
Net current assets		160,932	190,924
Total assets less current liabilities		172,304	201,112

FINANCIAL INFORMATION

	<i>Notes</i>	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Non-current liabilities			
Lease liabilities		688	2,099
Amount due to a related party		52,882	72,271
Deferred tax liabilities		–	38
		53,570	74,408
NET ASSETS			
		118,734	126,704
Capital and reserves			
Share capital	16	5,000	5,000
Reserves		110,162	120,372
Equity attributable to the owners of the Company			
		115,162	125,372
Non-controlling interests		3,572	1,332
TOTAL EQUITY			
		118,734	126,704

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Attributable to owners of the Company							Equity attributable to owners of the Company	Non-controlling Interest	Total equity
	Share capital	Share premium	Special reserve	Capital reserve	Other reserve	Exchange reserve	Retained profits			
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
At 1 April 2021 (audited)	5,000	47,656	(19,229)	4,000	-	(34)	95,752	133,145	-	133,145
Loss for the period	-	-	-	-	-	-	(5,425)	(5,425)	(169)	(5,594)
Other comprehensive income	-	-	-	-	-	75	-	75	5	80
Contribution from non-controlling interest	-	-	-	-	-	-	-	-	2,048	2,048
At 30 September 2021 (unaudited)	5,000	47,656	(19,229)	4,000	-	41	90,327	127,795	1,884	129,679
At 1 April 2022 (audited)	5,000	47,656	17,016	4,000	9,993	(164)	41,871	125,372	1,332	126,704
Loss for the period	-	-	-	-	-	-	(7,842)	(7,842)	(563)	(8,405)
Other comprehensive income	-	-	-	-	-	(2,911)	-	(2,911)	73	(2,838)
Waive of notes	-	-	-	-	543	-	-	543	-	543
Contribution from non-controlling interest	-	-	-	-	-	-	-	-	2,730	2,730
At 30 September 2022 (unaudited)	5,000	47,656	17,016	4,000	10,536	(3,075)	34,029	115,162	3,572	118,734

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Notes	Six months ended 30 September	
		2022 HKD'000 (unaudited)	2021 HKD'000 (unaudited)
OPERATING ACTIVITIES			
Cash (used in)/generated operations		(4,743)	100,010
Income tax refunded/(paid)		1,761	(1,297)
NET CASH (USED IN)/GENERATED OPERATING ACTIVITIES		(2,982)	98,713
INVESTING ACTIVITIES			
(Purchase)/proceeds from sale of property, plant and equipment		(59)	42
Placement of pledged bank deposit		(5,000)	–
Interest income		17	13
Acquisition of subsidiaries, net of cash acquired	17	103	–
Payment for purchase of financial asset		(671)	–
Proceed from non-controlling Interest		–	2,048
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(5,610)	2,103
FINANCING ACTIVITIES			
Repayment to a related party		(21,123)	–
Capital element of lease rentals paid		(1,234)	(1,197)
Interest paid		(903)	(258)
Repayment of bank borrowings		–	(508)
NET CASH USED IN FINANCING ACTIVITIES		(23,260)	(1,963)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(31,852)	98,853
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		197,950	85,235
Effect of foreign exchange rate changes		(3,108)	21
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		162,990	184,109

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 November 2015 under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is situated at Flat A, 17/F., Gemstar Tower, 23 Man Lok Street, Hung Hom, Kowloon, Hong Kong.

The Company acts as an investment holding company. The Group is principally engaged in provision of apparel supply chain management services and selling knitwear apparel products to its customers, Japan-People's Republic of China ("**PRC**") specialised contract research organisation ("**CRO**") and, innovative research organisation ("**IRO**") services and licensing and financing support. The Group is also engaged in in-house drug discovery and development. The ultimate holding company of the Company is EPS Holdings, Inc. ("**EPS HD**"), a company incorporated in Japan with limited liability. As at the date of this report, EPS HD is wholly-owned by Shinyou KK, a company incorporated in Japan which is owned as to approximately 71.55% by Y&G Limited which is in turn wholly-owned by Mr. Yan Hao. The remaining 28.45% of EPS HD are owned as to 20% by Suzuken Co., Ltd, 2.49% by Song Junbo, 2.32% by Mr. Yan Hao, 0.51% by each of Tashiro Shinro, Nagaoka Tatsuma and Hirosaki Shinji, and 2.11% by Yu Huanrang.

The condensed consolidated financial statements for the six months ended 30 September 2022 are presented in Hong Kong dollars ("**HK\$**"), which is the functional currency of the Company. The Directors consider that choosing HK\$ as the presentation currency best suits the needs of the Shareholders and the investors of the Company.

Notes:

CRO: Contract Research Organisation mainly provide services for pharmaceutical companies, medical equipment companies and food companies.

IRO: Innovative Research Organisation mainly provide services for academia, research institutions, and biotech venture companies.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 September 2022 have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The condensed consolidated financial statements do not include all the information required for a complete set of financial statement prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 March 2022 (the "**2021/22 Financial Statements**").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those presented in the 2021/22 Financial Statements.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment-Proceeds before intended use
Amendments to HKAS 37	Onerous Contract – Costs of Fulfilling a Contract

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE

The Group's revenue streams are categorised into the garment and healthcare segments, the particulars of which are set out in note 5 below.

An analysis of the Group's revenue is as follows:

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Garment	225,321	245,768
Healthcare	2,643	–
	227,964	245,768

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

5. SEGMENT INFORMATION

The Group's revenue streams are categorised into the garment and healthcare segments as set out in note 4 above.

Operating segments are determined based on the Group's internal reports which are submitted to the chief executive officer, being the chief operating decision maker ("**CODM**") of the Group, for the purpose of performance assessment and resources allocation. This is also the basis upon which the Group is organised and managed.

The following are the Group's reportable segments under HKFRS 8 "Operating Segments":

- Garment segment: provision of apparel supply chain management service for knitwear apparel products
- Healthcare segment: Japan-PRC specialised CRO and IRO services, licensing and financing support and in-house drug discovery and development

Segment revenues and results

The following is an analysis of the Group's revenue by reportable segments:

	Six months ended 30 September 2022		
	Garment	Healthcare	Total
	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue	225,321	2,643	227,964
Segment results	14,813	(14,825)	(12)
Unallocated amounts:			
Interest income			17
Other income			310
Unallocated head office and corporate expenses			(3,597)
Finance costs			(2,774)
Loss before taxation			(6,056)
Income tax expenses			(2,349)
Loss for the period			(8,405)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

5. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results (Continued)

	Six months ended 30 September 2021		
	Garment <i>HK\$'000</i> (Unaudited)	Healthcare <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue	245,768	–	245,768
Segment results	7,154	(6,822)	332
Unallocated amounts:			
Interest income			13
Other income			59
Unallocated head office and corporate expenses			(3,154)
Professional fee in relation to unconditional mandatory cash offer			(1,439)
Finance costs			(258)
Loss before tax			(4,447)
Income tax expenses			(1,147)
Loss for the period			(5,594)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

5. SEGMENT INFORMATION (CONTINUED)

Geographical Information

Information on major customers

The following are analyses of the revenue from customers in the garment and healthcare segments by geographical markets of customers and products categories respectively:

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Garment		
Japan	70,780	100,230
The United States of America	95,776	88,970
Europe	33,502	34,906
Hong Kong	16,033	15,335
Others (Note)	9,230	6,327
	225,321	245,768
Healthcare		
Japan	2,643	–
Total revenue	227,964	245,768

Note: Others comprise the PRC (which, for the purpose of geographical reference in this report, excludes Hong Kong), Dubai, Mexico and Thailand.

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Major products		
Womenswear	174,959	158,242
Menswear	39,675	52,051
Kidswear	10,687	35,475
	225,321	245,768
Major services		
Japan-PRC specialised CRO and IRO	2,643	–
Total revenue	227,964	245,768

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

5. SEGMENT INFORMATION (CONTINUED)

Geographical Information (Continued)

Non-current assets

	As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
Geographical markets		
Hong Kong	2,629	3,596
Japan	4,555	5,013
PRC	4,188	1,579
Total non-current assets	11,372	10,188

Revenue from major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group for the six months ended 30 September 2022 and 2021 are as follows:

	Six months ended 30 September 2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Customer A	135,888	129,295
Customer B	N/A¹	55,812
Customer C	25,513	N/A ¹

Note:

- The corresponding revenue did not contribute over 10% of the group's revenue.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

6. OTHER INCOME

The following table sets out the Group's other income:

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Government grants	952	–
Sample sales income	429	635
Loss on disposal of property, plant and equipment	–	(4)
Loss on exchange difference, net	(1,071)	(572)
Total other income	310	59

7. INCOME TAX EXPENSE

The Group's income tax expense analysis is as follows:

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Hong Kong Profits Tax Current period	2,293	1,096
PRC Enterprise Income Tax ("EIT") Current period	40	–
Japan Residency Tax Current period	16	3
Deferred tax expense	–	48
Total income tax income	2,349	1,147

The provision for Hong Kong Profits Tax for the six months ended 30 September 2022 is calculated at 16.5% (six months ended 30 September 2021: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated on the same basis in 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

7. INCOME TAX EXPENSE (CONTINUED)

The provision for Hong Kong Profits Tax for the six months ended 30 September 2022 takes into account a reduction granted by the Hong Kong government of 100% of the tax payable for the year of assessment 2020/21 subject to a maximum reduction of \$10,000 for each business (six months ended 30 September 2021: a maximum reduction of \$10,000 was granted for the year of assessment 2019/20 and was taken into account in calculating the provision for 2021).

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

8. DIVIDEND

The Board does not recommend any payment of dividend for the Reporting Period (six months ended 30 September 2021: Nil).

No dividends were approved and paid during the Reporting Period (six months ended 30 September 2021: Nil).

9. LOSS BEFORE TAXATION

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Loss before taxation is arrived at after charging:		
Staff costs (including Directors' remuneration):		
Fees	2,266	260
Salaries and other benefits	14,786	11,996
Retirement benefit scheme contributions	585	533
	17,637	12,789
Auditor's remuneration	807	530
Depreciation of property, plant and equipment	445	495
Depreciation of right-of-use assets	1,198	1,145
Cost of inventories recognised as cost of sales	184,950	215,168
Commission expenses (included in selling and distribution expenses)	4,698	3,463
Professional fee in relation to unconditional mandatory cash offer	–	1,439
Sample charges (included in selling and distribution expenses)	8,981	4,010

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the following:

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Loss:		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(8,405)	(5,594)
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	500,000	500,000
	HK cents	HK cents
Basic loss per share for the period attributable to owners of the Company	(1.7)	(1.1)

No diluted loss per share is presented for the six months ended 30 September 2022 and 2021 as there were no potential dilutive ordinary shares outstanding during the respective periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired property, plant and equipment of approximately HK\$59,000 (for the six months ended 30 September 2021: approximately HK\$42,000).

12. RIGHT-OF-USE-ASSETS

During the Reporting Period, the Group has not entered any new material office lease.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

13. OTHER FINANCIAL ASSETS

	As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
Investment in a Limited Partnership ^(note 1)	2,977	2,977
Equity investment ^(note 2)	671	–
	3,648	2,977

Note 1:–

The Limited Partnership has been established in Japan under the Limited Partnership Act for Investment and the principal objective is to invest in startups, early-stage, and emerging companies that have high growth potential in industries such as healthcare, intelligent manufacturing, technology, and consumer services. The Limited Partnership will be managed by a general partner.

Note 2:–

In April 2022, the Group and Immunomedicine, Inc. ("IM2D") entered into a Basic Agreement on business alliance including capital investment for joint development of certain biotech product. Pursuant to the agreement, EPS Innovative Medicine (Hong Kong) Limited, a wholly-owned subsidiary of the Company, has allotted 133 common stock shares.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

14. TRADE AND OTHER RECEIVABLES

	As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
Trade debtors and bill receivables, net of loss allowance	49,609	12,212
Deposits and other receivables	9,459	6,081
Prepayments	4,662	12,023
	63,730	30,316

No loss allowance was provided for the six months ended 30 September 2022 and 2021 and no balance of loss allowance had been recognised as at the end of each reporting period.

For long-term customers with good credit quality and payment history, the Group allows an average credit period from 30 to 90 days. For other customers, the Group demands for full settlement upon delivery of goods.

The following is an ageing analysis of trade and bills receivables presented based on the invoice date at the end of the reporting periods, which approximate the revenue recognition dates:

	As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
1 – 30 days	40,873	11,052
31 – 60 days	7,782	862
61 – 90 days	764	165
Over 90 days	190	133
	49,609	12,212

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

15. TRADE AND OTHER PAYABLES

	As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
Trade payables	28,724	12,371
Accruals and other payables	28,228	10,302
	56,952	22,673

The credit period on purchase of goods ranges from 30 to 45 days. The following is an ageing analysis of the trade payables of the Group presented based on the invoice dates at the end of the reporting periods:

	As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
1 – 30 days	23,907	6,867
31 – 60 days	4,295	1,485
61 – 90 days	268	3,040
Over 90 days	254	979
	28,724	12,371

16. SHARE CAPITAL

Details of share capital of the Company during the reporting period are as follows:

	Number of shares '000	Share Capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2022 (audited) and at 30 September 2022 (unaudited)	1,000,000	10,000
Issued and fully paid:		
At 1 April 2022 (audited) and at 30 September 2022 (unaudited)	500,000	5,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

17. ACQUISITION OF SUBSIDIARIES

On 20 September 2022, EPS Pharmaceutical Development (Shanghai) Co., Ltd.* (創健醫藥發展(上海)有限公司), an indirect wholly-owned subsidiary of the Company as purchaser and EPS International Pharmaceutical Technology Co., Ltd.* (益新國際醫藥科技有限公司) as vendor, entered into a sale and purchase agreement to acquire the (i) approximately 95% of the entire equity interests in Shanghai EPS Pharmaceutical Development Co., Ltd.* (上海日新醫藥發展有限公司); (ii) approximately 51% of the entire equity interests in Suzhou EPS Tigermed Pharmaceutical Technology Co., Ltd.* (蘇州益新泰格醫藥科技有限公司); and (iii) 51% of the entire equity interests in Beijing Global Pharmaceutical Research Co., Ltd.* (北京格銳博醫藥研發有限公司), at a total consideration of approximately RMB2.85 million (equivalent to approximately HK\$3.24 million).

The identifiable assets and liabilities acquired was recognized at the date of acquisition as follows:

	<i>HK\$'000</i>
Property, plant and equipment	505
Inventories	119
Trade and other receivables	11,253
Bank and cash balances	3,345
Trade and other payables	<u>(11,872)</u>
Net assets acquired	3,350
Non-controlling interests	(2,730)
Goodwill arising from the acquisition	<u>2,622</u>
Total consideration	<u>3,242</u>
Net cash inflow in connection with the acquisition of subsidiaries:	
Cash and cash equivalent balance	3,345
Consideration paid	<u>(3,242)</u>
	<u>103</u>

* for identification purpose only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

18. RELATED PARTY DISCLOSURES

(a) Related party transactions

- (i) During the reporting period, a subsidiary of the Group leased a property from Firenze Apparel Limited (“Firenze”). Firenze is a company beneficially owned by Mr Chan Wing Kai (“Mr. Chan”) (former controlling shareholder and CEO of garment business). Mr Chan is a director of Firenze. Lease payments for the reporting period is HK\$600,000 (six months ended 30 September 2021: HK\$600,000).
- (ii) During the reporting period, a subsidiary of the Group leased a property, Mr. Yan Hao (controlling shareholder of ultimate holding company) is the ultimate beneficial owner of the property. Lease payments for the reporting period is approximately HK\$393,000 (six months ended 30 September 2021: Nil).
- (iii) During the reporting period, four Japan subsidiaries of the Group shared administrative services with ultimate holding company. Administrative expenses incurred during the period amounted to approximately HK\$5,504,000 (six months ended 30 September 2021: Nil).

(b) Compensation of the key management personnel

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Fees	–	305
Salaries and other benefits	1,921	3,252
Retirement benefit scheme and contribution	–	47
Total	1,921	3,604

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Group is an apparel supply chain management service provider. Headquartered in Hong Kong, the Group principally sells knitwear products. The Group provides one-stop apparel supply chain management solutions for its customers ranging from fashion trend analysis, product design and development, sourcing and procurement of materials, production management, quality control to logistics services. The Group's customers are mainly owners or sourcing agents of apparel retail brands based in Japan and the United States of America (the "USA"), which market and sell their products under their own brands. The Group does not possess its own labels. All the Group's knitwear products are manufactured in accordance with the specifications and requirements set out by the Group's customers in the sales orders, some designs of which are recommended or inspired by the Group. Since the Group does not own or operate any manufacturing operations, the Group outsources the whole manufacturing process to third-party manufacturers with manufacturing operations located in the PRC, Thailand and/or Cambodia.

The Group is also principally engaged in providing healthcare services which include Japan-PRC specialised CRO and IRO services and licensing and financing support. The Group is also engaged in in-house drug discovery and development. During the Reporting Period, the Group has acquired three PRC companies which are principally engaged in clinical trial services providing project management, clinical operations, data science, medical and safety and regulatory affairs services.

BUSINESS REVIEW

Garment segment

During the Reporting Period, having faced the complex and adverse trading environment and the widespread impact of COVID-19 pandemic, the retail markets for apparel including the USA and Japan where the major customers of the Group are located continued to be affected. The customer orders and group sales are expected to continue to decline in 2022-2023.

The Group recorded revenue of approximately HK\$225.3 million for the Reporting Period, representing a decrease of approximately 8.3% as compared to approximately HK\$245.8 million for the six months ended 30 September 2021 as the customer orders in Japan have declined due to the impact of the COVID-19 epidemic. The Group's gross profit for the Reporting Period amounted to approximately HK\$42.7 million (six months ended 30 September 2021: approximately HK\$30.6 million). The increase in gross profit of the Group was primarily attributable to the decrease in subcontracting charge.

Healthcare segment

The Group has been focusing on the initiatives of (i) exploring the potential for anti-obesity and anti-diabetes therapies using the brown fat cell induction technology in regenerative medicine and in the screening of substances that may increase energy consumption; (ii) creating a new treatment option for peripheral artery diseases; and (iii) pursuing the possibility of sublingual immunisation, focusing on the importance of secretory IgA, which is considered to play a protective role against allergic diseases as well as new coronaviruses. The Group launched and has been expanding the businesses of Japan-PRC specialised CRO and IRO services and licensing and financing support. The Company has been exploring further opportunities for business development in this segment.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group recorded revenue of approximately HK\$2.6 million. Following the acquisition of three PRC companies on 20 September 2022, the particulars of which are set out in the section headed “Material Acquisitions or Disposals of Subsidiaries and Associates or Joint Ventures” below, such companies are expected to complement the existing business operations of the Group in this segment and create a synergy effect which would help create greater returns for the Company and its Shareholders as a whole.

Performance review

The Group’s total comprehensive loss attributable to owners of the Company was approximately HK\$7.2 million for the Reporting Period (six months ended 30 September 2021: approximately HK\$5.3 million). The loss is mainly attributable to (i) the staff costs of approximately HK\$17.6 million; and (ii) the legal and professional fees incurred by the Company of approximately HK\$2.5 million.

FINANCIAL REVIEW

Revenue from Garment segment

The Group’s knitwear products are divided into three categories, namely womenswear products, menswear products and kidswear products. During the Reporting Period, the Group’s revenue was mainly derived from the sales of womenswear products, which accounted for approximately 77.6% (six months ended 30 September 2021: approximately 64.4%) of the Group’s total revenue. The following table sets out a breakdown of the Group’s revenue by product categories for each of the reporting period:

	Six months ended 30 September			
	2022		2021	
	HK'000 (unaudited)	%	HK'000 (unaudited)	%
Womenswear	174,959	77.7	158,242	64.4
Menswear	39,675	17.6	52,051	21.2
Kidswear	10,687	4.7	35,475	14.4
Total revenue	225,321	100.0	245,768	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period the sales volume of the Group amounted to approximately 2.7 million pieces (six months ended 30 September 2021: approximately 3.6 million pieces) of finished knitwear products. Set out below are the total sales quantity of each product category for each of the reporting period:

	Six months ended 30 September			
	2022		2021	
	'000	%	'000	%
	(unaudited)		(unaudited)	
Womenswear	1,925	71.9	2,194	60.3
Menswear	554	20.6	840	23.1
Kidswear	203	7.5	605	16.6
Total sales quantity	2,682	100.0	3,639	100.0

The selling price of each of the product category depends primarily on, amongst other things, (i) the complexity of the product design; (ii) the size of an order; (iii) the delivery schedule set by customers; (iv) the costs of raw materials; and (v) the production costs as quoted by the third-party manufacturers. Accordingly, the selling price of the Group's products may differ considerably in different purchase orders from different customers. Set out below are the average selling price per piece of finished products sold by the Group by product categories for each of the reporting period:

	Six months ended 30 September		
	2022	2021	Percentage of change
	Average selling price ^(Note)	Average selling price ^(Note)	
	HK\$	HK\$	%
	(unaudited)		(unaudited)
Womenswear	90.9	72.1	26.1
Menswear	71.6	61.9	15.7
Kidswear	52.7	58.6	(10.2)
Overall average selling price per piece	84.0	67.5	24.4

Note: The average selling price per piece represents the revenue for the period divided by the total sales quantity for the period.

The Group's revenue decreased amounted by approximately HK\$20.4 million, or decreased approximately 8.3%, from approximately HK\$245.8 million for the six months ended 30 September 2021 to approximately HK\$225.3 million for the Reporting Period. The decrease in revenue was primarily attributable to the decrease in purchase orders from the customers based in Japan.

MANAGEMENT DISCUSSION AND ANALYSIS

Womenswear

During the Reporting Period, revenue derived from the sales of womenswear products increased amounted by approximately HK\$16.7 million or increased approximately 10.6%, from approximately HK\$158.2 million for the six months ended 30 September 2021 to approximately HK\$175.0 million for the Reporting Period. Such increase was mainly attributable to the increase in average selling price per piece of womenswear products from approximately HK\$72.1 for the six months ended 30 September 2021 to approximately HK\$90.9 for the Reporting Period.

Menswear

The Group's revenue derived from the sales of menswear products decreased by approximately HK\$12.4 million or approximately 23.8%, from approximately HK\$52.1 million for the six months ended 30 September 2021 to approximately HK\$39.7 million for the Reporting Period. Such decrease was mainly attributable to the decrease in sales quantity from approximately 840,000 pieces for the six months ended 30 September 2021 to approximately 554,000 pieces for the Reporting Period.

Kidswear

Revenue derived from the sales of kidswear products of the Group decreased by approximately 69.9% or approximately HK\$24.8 million to approximately HK\$10.7 million for the Reporting Period from approximately HK\$35.5 million for the six months ended 30 September 2021. The decrease in the revenue of the Group's kidswear products was mainly attributable to the decrease in sales volume of the Group's kidswear products from approximately 605,000 pieces for the six months ended 30 September 2021 to approximately 203,000 pieces for the Reporting Period and the decrease in average selling price per piece of the kidswear products from approximately HK\$58.6 for the six months ended 30 September 2021 to approximately HK\$52.6 for the Reporting Period.

Revenue from Healthcare segment

During the Reporting Period, the Group commenced the business of provision of Japan-PRC specialised CRO and IRO services and recorded revenue of approximately HK\$2.6 million (six months ended 30 September 2021: Nil).

Cost of sales

Garment segment

The Group's cost of sales primarily consists of subcontracting charges, raw materials and consumables used, inspection fees and other processing charges. The cost of sales decreased to approximately HK\$182.6 million for the Reporting Period from approximately HK\$215.2 million for the six months ended 30 September 2021, representing a decrease of approximately 15.1%. The decrease of the Group's cost of sales was mainly attributable to the decrease in the subcontracting charges for the Reporting Period.

Healthcare segment

The Group's cost of sales primarily consists of subcontracting charges and salaries. The cost of sales recorded was approximately HK\$2.3 million for the Reporting Period (six months ended 30 September 2021: Nil).

Gross profit and gross profit margin

Garment segment

The Group's gross profit increased to approximately HK\$42.7 million for the Reporting Period from approximately HK\$30.6 million for the six months ended 30 September 2021, representing an increase of approximately 39.5%. The increase in gross profit of the Group was primarily attributable to the increase in overall average selling price per piece and the decrease in subcontracting charges.

The Group's gross profit margin increased to approximately 19.0% for the Reporting Period from approximately 12.5% for the six months ended 30 September 2021. Such increase in the Group's gross profit margin was mainly attributable to the premium pricing offered by the Group to its customers in Japan for the Reporting Period.

Healthcare segment

The Group's gross profit and gross profit margin was approximately HK\$297,000 and approximately 11.2% respectively for the Reporting Period (six months ended 30 September 2021: Nil).

Interest income

The Group's interest income recorded was approximately HK\$17,000 for the Reporting Period (six months ended 30 September 2021: HK\$13,000).

Other income

Other income mainly consists of government grants, sample sales income and exchange gain/loss. Other income increased to approximately HK\$310,000 for the Reporting Period from approximately HK\$59,000 for the six months ended 30 September 2021. The increase in other income of the Group was primarily attributable to the fact that government grant under employment support scheme of approximately HK\$952,000 was received during the Reporting Period (six months ended 30 September 2021: Nil). Sample sales income slightly decreased to approximately HK\$429,000 for the Reporting Period from approximately HK\$635,000 for the six months ended 30 September 2021 while exchange loss increased to approximately HK\$1,071,000 for the Reporting Period from approximately HK\$572,000 for the six months ended 30 September 2021.

Selling and distribution expenses

Selling and distribution expenses mainly consist of advertising expenses, commission expenses, logistic expenses, sample costs and staff costs and benefits of merchandising staff. Selling and distribution expenses increased to approximately HK\$21.1 million for the Reporting Period from approximately HK\$16.1 million for the six months ended 30 September 2021, representing an increase of approximately 31.1%. Such increase was mainly attributable to an increase in (i) sample costs; (ii) logistic expenses; (iii) commission expenses; and (iv) salaries expenses, the increase in these expenses is in line with the increase in healthcare business volume.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

Administrative expenses primarily consist of audit fees, bank charges, depreciation, Directors' emoluments, entertainment, legal and professional fees, office expenses, overseas and local travelling, rent and rates, staff costs and benefits of general and administrative staff. Administrative expenses increased to approximately HK\$22.9 million for the Reporting Period from approximately HK\$12.0 million for the six months ended 30 September 2021, representing an increase to approximately HK\$10.9 million, an increase of approximately 90.8%. Such increase was mainly attributable to the increase in (i) staff costs and benefits of general and administrative staff; and (ii) legal and professional fees.

Research expenses for new drug development

Research expenses for drug discovery and development amounted to approximately HK\$2.6 million for the Reporting Period (six months ended 30 September 2021: approximately HK\$5.4 million). Such expenses were mainly attributable to the development of the two new drug development projects.

Finance costs

Finance costs increased to approximately HK\$2,774,000 for the Reporting Period from approximately HK\$258,000 for the six months ended 30 September 2021. Such increase was mainly attributable to interest effect on new borrowings from a related party.

Total comprehensive loss attributable to owners of the Company

Total comprehensive loss attributable to owners of the Company amounted to approximately HK\$7.2 million for the Reporting Period, as compared to the total comprehensive income attributable to owners of the Company amounted to approximately HK\$5.3 million for the six months ended 30 September 2021.

BASIC LOSS EARNINGS PER SHARE

The Company's basic loss per share for the Reporting Period was approximately 1.7 HK cents, as compared to the basic loss per share of approximately 1.1 HK cent for the six months ended 30 September 2021.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Reporting Period (six months ended 30 September 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group's operations were generally financed through its internally generated cash flows and borrowings from banks. In the long term, the Group's operations will be funded by a combination of internally generated cash flows, bank borrowings and, if necessary, additional equity financing.

As at 30 September 2022 and 31 March 2022, the Group had net current assets of approximately HK\$160.9 million and HK\$190.9 million, respectively, including bank and cash balances of approximately HK\$163.0 million and HK\$198.0 million, respectively. The Group's current ratio decreased from approximately 5.0 as at 31 March 2022 to approximately 2.9 as at 30 September 2022. Such decrease was mainly due to the increase in current assets by approximately 2.8% whilst current liabilities significantly increased by approximately 76.8% as compared to the balances as at 31 March 2022. The significant increase in current liabilities were mainly attributable to the increase in trade and other payables.

Gearing ratio is calculated based on the total loans and borrowings (including bank borrowings due within one year and lease liabilities) divided by total equity at the respective reporting date. As at 30 September 2022 and 31 March 2022, the Group's gearing ratio was 1.16 and 0.96, respectively. The Group has entered into a new banking facility agreement with a charge over a fixed bank deposit as at 30 September 2022 (31 March 2022: Nil). The Group's financial position is sound and strong. With available cash and cash equivalents, the Group has sufficient liquidity to satisfy its funding requirements. As at 30 September 2022, the Group's bank and other borrowings are mainly denominated in Hong Kong dollars, Renminbi and Japanese yen.

TREASURY POLICIES

The Group adopts prudent treasury policies. The Group's credit risk is primarily attributable to its trade and bills receivables, deposits and other receivables. In order to minimise its credit risk, the management of the Group has delegated a team to perform ongoing credit evaluation of the financial conditions of the customers including but not limited to the determination of credit limits, credit approvals and other monitoring procedures to ensure that appropriate follow-up action(s) is taken to recover overdue debts and reduce the Group's exposure to credit risk. In addition, the Group reviews the recoverable amount of each individual debt at the end of the Reporting Period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group generally grants an average credit period of 30 to 90 days to its customers. Most of these counterparties are either owners or sourcing agents of apparel retail brands based in Japan and the USA. The management of the Group considered that the credit risk on amounts due from these customers is insignificant after considering the historical settlement records, credit qualities and financial positions of the counterparties.

For management of the liquidity risk, the Board closely monitors and maintains levels of cash and cash equivalents and they are deemed adequate by our management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during the Reporting Period. The share capital of the Company only comprises of ordinary shares.

As at 30 September 2022, the Company has an issued share capital of HK\$5.0 million divided into 500,000,000 shares of HK\$0.01 each.

SIGNIFICANT INVESTMENT

As at 30 September 2022 and 31 March 2022, the Group did not hold any significant investment with a value of 5% or more of the Company's total assets as at the end of the respective reporting periods.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this report, the Group currently has no other plan for material investments and capital assets.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATES OR JOINT VENTURES

Reference is made to the announcements of the Company dated 20 September 2022 and 26 September 2022 (the "**Acquisition Announcements**"). Unless otherwise defined, capitalised terms under this section shall have the same meanings given to them in the Acquisition Announcements.

On 20 September 2022, EPS Pharmaceutical Development (Shanghai) Co., Ltd.* (創健醫藥發展(上海)有限公司), an indirect wholly-owned subsidiary of the Company as purchaser and EPS International Pharmaceutical Technology Co., Ltd.* (益新國際醫藥科技有限公司) as vendor, entered into the Agreement to acquire the Share Interests, which represent: (i) approximately 95% of the entire equity interests in Target Company A; (ii) approximately 51% of the entire equity interests in Target Company B; and (iii) 51% of the entire equity interests in Target Company C. The total consideration for the sale and purchase of the Sale Interests is approximately RMB2.85 million (equivalent to approximately HK\$3.24 million).

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the Reporting Period.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

The following asset was pledged to banks to secure certain banking facilities granted to the Group:

	As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
Pledged bank deposit	5,000	–

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2022 (31 March 2022: Nil).

CAPITAL COMMITMENTS

	As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
Acquisition of an equity investment	4,859	–
Investment in a limited partnership	2,710	3,200
	7,569	3,200

FOREIGN EXCHANGE EXPOSURE

Certain trade and bills receivables, other receivables, pledged bank deposit, bank and cash balances, and trade and other payables are denominated in foreign currency of the respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. The functional currency of the Group is HKD and hence the Group is exposed to foreign exchange risk arising from exposure in JPY and RMB against HKD. However, the management of the Group monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2022, the Group employed a total of 125 full-time employees (as at 30 September 2021: 67). The Group's staff costs primarily consist of Directors' emoluments, salaries, other staff benefits and contributions to retirement and social security schemes. For the six months ended 30 September 2022 and 2021, the Group's total staff costs (including Directors' emoluments) amounted to approximately HK\$17.6 million and HK\$12.8 million, respectively. Remuneration is determined with reference to market terms and the performance, qualification(s), experience, position and seniority of individual employees. In addition to basic salary, year-end bonuses would be discretionarily offered to those employees with outstanding performance to attract and retain employees that contributed to the Group. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution. The remuneration committee of the Company reviews and determines the remuneration and compensation packages of the Directors and senior management of the Company with reference to their experience, responsibilities, workload, time devoted to the Group and performance of the Group. Share options may also be granted to the Directors and senior management of the Company under the share option scheme of the Company.

CHANGE OF BOARD COMPOSITION

During the Reporting Period, as disclosed in the announcement of the Company dated 12 July 2022, (i) Mr. Miyano Tsumoru was appointed as an executive Director; (ii) Mr. Liang Fei tendered his resignation as a non-executive Director; (iii) Mr. Xia Xiangming was appointed as a non-executive Director; and (iv) Mr. Okoso Satoshi ("**Mr. Okoso**") was redesignated from a non-executive Director to an executive Director, all with effect from 12 July 2022. On 22 August 2022, Mr. Maezaki Masahiro was appointed as an executive Director. For further details, please refer to the announcements of the Company dated 12 July 2022 and 22 August 2022.

CHANGES IN DIRECTORS' INFORMATION

The changes in directors' information as required to be disclosed in this report pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Mr. Choi Koon Ming has been a responsible officer of Kingsway Financial Services Group Limited, a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), since October 2022.

Mr. Chan Cheuk Ho has ceased to be an independent non-executive director of Wai Chun Group Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1013), and Wai Chun Bio-Technology Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 660), since July 2022, and since July 2022, following his resignation, Mr. Chan Cheuk Ho was appointed as an executive director of Wai Chun Bio-Technology Limited.

FUTURE PROSPECTS

Garment segment

COVID-19 pandemic caused disruptions to economic activities worldwide and significant uncertainties to the current business environment. However, it is expected that the global economy will slowly recover. In this context, the Board expects demands on the Group's products to slightly increase. However, there is still uncertainty in the remainder of the financial year 2022/23. The Board will continue to closely monitor the development of COVID-19 pandemic and stay vigilant to its adverse impacts to the Group's operations and the risks in connection therewith. The Group will take appropriate measures to adapt to the challenging environment when necessary including but not limited to (i) screening customer orders, in an attempt to accept orders with relatively high gross profit margins, and decline orders with low gross profit margins; and (ii) taking cost control measures to reduce the operating costs of the Group.

Healthcare segment

In order to meet customer needs, changes in market structure and the long-term prospects of the healthcare and drug R&D markets, the Group fully integrated and launched healthcare business during the Reporting Period, and expanded its service scope to specialised CRO business in Japan and the PRC, licensing and financing support business, Japanese-Chinese medical exchange business, and domestic drug creation support business including comprehensive solutions such as new drug development planning, development promotion, and commercialisation support.

By integrating our strengths, the Group will continue to seek to provide commercialisation promotion support for the vast, international and high-quality medical and healthcare scientific research results, promote overseas development and cooperation, and introduce irreplaceable high-value-added products to the international market for the healthcare industry. High-quality and high-value-added products continue to play a unique role.

The Directors will continue to review and evaluate the business objectives and strategies and make timely decisions taking into account the business risks and market uncertainties. The Directors will also continue to explore opportunities to diversify the Group's operations.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30 September 2022, none of the Directors or the chief executive of the Company has any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which (a) would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which such Directors and chief executives of the Company were taken or deemed to have under such provisions of the SFO); or (b) would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) would be required, pursuant to the Model Code or Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 September 2022, so far as it is known to the Directors or chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was expected, directly or indirectly, to be interested in 10% or more of the issued voting shares of any other member of the Group:

Name of substantial shareholders	Nature of interest/ holding capacity	Number of ordinary shares held	Percentage of interests in the issued share capital of the Company ^(Note 1)
EPS Holdings, Inc. (“EPS HD”)	Beneficial owner	375,000,000 (L) ^(notes 2 and 3)	75%
Shinyou KK	Interest of a controlled corporation	375,000,000 (L) ^(notes 2 and 3)	75%
Y&G Limited	Interest of a controlled corporation	375,000,000 (L) ^(notes 2 and 3)	75%
Mr. Yan Hao (“Mr. Yan”)	Interest of a controlled corporation	375,000,000 (L) ^(notes 2 and 3)	75%

Notes:

- As at 30 September 2022, the Company’s issued ordinary share capital was HK\$5.0 million divided into 500,000,000 ordinary shares of HK\$0.01 each.
- EPS HD is wholly-owned by Shinyou KK, a company incorporated in Japan which is owned as to approximately 71.55% by Y&G Limited, also a company incorporated in Japan which is in turn wholly-owned by Mr. Yan. Mr. Yan is also directly interested in approximately 2.32% of the shareholding interest of Shinyou KK. By virtue of the SFO, Mr. Yan is deemed to be interested in these shares held by EPS HD.
- The letter “L” denotes a long position in the Shares.

OTHER INFORMATION

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**Scheme**”) on 31 May 2017. The primary purpose of the Scheme is to provide incentives or rewards to eligible employees and other selected participants as specified under the Scheme.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option scheme of the Group) to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue at the time dealings in the Shares first commence on the Stock Exchange, i.e. 50,000,000 Shares (representing 10% of the total issued share capital of the Company as at the date of this report), without prior approval from the Shareholders. The Company may, subject to the issue of a circular, the Shareholders’ approval in general meeting and/or such other requirements prescribed under the Listing Rules, refresh this limit at any time to 10% of the total number of shares in issue as at the date of the Shareholders’ approval. The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme of the Group to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being, without prior approval from the Shareholders. Options granted to substantial Shareholders or independent non-executive Directors or any of their respective associates as defined under the Scheme which would result in the shares issued and to be issued upon exercise of all options under the Scheme already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant represent in aggregate in excess of 0.1% of the Company’s issued share capital and with an aggregate value in excess of HK\$5.0 million must be approved in advance by the Shareholders.

Options granted must be taken up within 21 days of the date of the offer of grant of the option. A nominal consideration of HK\$1.00 is payable on acceptance of the grant of an option.

Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the Directors but in any event not exceeding 10 years. The exercise price is determined by the Directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotation sheets on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the date of the offer of grant of the option; and (iii) the nominal value of a share. No option has been granted since the adoption of the Scheme. The Scheme will remain in force for a period of 10 years commencing on the date on which the Scheme is adopted.

EQUITY-LINKED AGREEMENTS

Save as the share option scheme of the Company disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the six months ended 30 September 2022 or subsisted as at 30 September 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period, none of the Directors nor any of their respective close associates (as defined in the Listing Rules), engaged in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group, or had any other conflict of interest with the Group.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to establishing and maintaining good corporate governance practices and procedures. The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture in return for the benefits of the Company's stakeholders as a whole.

The Board has adopted the provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules. The amendments to the Corporate Governance Code which became effective on 1 January 2022 (the "**New CG Code**") apply to corporate governance reports for a financial year commencing on or after 1 January 2022. The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standards, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Company.

During the Reporting Period, the Group has complied with all the code provisions of the CG Code, except for the deviation from the code provision C.2.1 of the CG Code. During the Reporting Period, Mr. Okoso, the chairman of the Board, was appointed as the chief executive officer with effect from 12 July 2022. The Directors considered that vesting the roles of the chairman of the Board and the chief executive officer of the Company in Mr. Okoso was beneficial to the management and business development of the Group and would provide a strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its code of conduct for the Directors' securities transactions. Having made specific enquiry of all Directors by the Company, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct concerning securities transactions by the Directors for the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

OTHER INFORMATION

EVENT AFTER THE REPORTING PERIOD

There is no significant event subsequent to 30 September 2022 which would materially affect the Group's operations and financial performance.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established in compliance with Rules 3.21 to 3.23 of the Listing Rules and code provision D.3 of the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the Group's financial information, overseeing the Group's financial reporting system, risk management and internal control systems, reviewing and monitoring the effectiveness of the scope of audit and making recommendation to the Board on the appointment of external auditors.

The Audit Committee currently consists of three members, namely Mr. Chan Cheuk Ho (the Chairman of the Audit Committee) and Mr. Choi Koon Ming, both being independent non-executive Directors, and Mr. Xia Xiangming, a non-executive Director. The Audit Committee has reviewed this report including the unaudited interim results of the Group for the Reporting Period before recommending it to the Board for approval.

By order of the Board

EPS Creative Health Technology Group Limited

Miyano Tsumoru

Executive Director

Hong Kong, 29 November 2022