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EPS Creative Health Technology Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3860)

CONTINUING CONNECTED TRANSACTION IN RELATION TO INCENTIVE AGREEMENT

THE INCENTIVE AGREEMENT

On 6 March 2024 (after trading hours), the Company entered into the Incentive Agreement with Mr. Chan, a director of Speed Apparel BVI, pursuant to which Mr. Chan has undertaken to the Company to procure to meet certain performance targets in respect of the profits and revenue of the Apparel Group for the Performance Period, the successful fulfillment of which would entitle Mr. Chan to certain performance bonuses.

LISTING RULES IMPLICATIONS

Mr. Chan is a director of Speed Apparel BVI, a wholly-owned subsidiary of the Company. Accordingly, Mr. Chan is a connected person of the Company at subsidiary level and the transactions contemplated under the Incentive Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Board (including all independent non-executive Directors) has approved the Incentive Agreement and confirmed that the terms of the Incentive Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, it is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

INTRODUCTION

The Board announces that on 6 March 2024 (after trading hours), the Company entered into the Incentive Agreement with Mr. Chan, a director of Speed Apparel BVI, pursuant to which Mr. Chan has undertaken to the Company to procure to meet certain performance targets in respect of the

profits and revenue of the Apparel Group for the Performance Period, the successful fulfillment of which would entitle Mr. Chan to certain performance bonuses. The salient terms of the Incentive Agreement are as follows:

THE INCENTIVE AGREEMENT

Date: 6 March 2024

Parties: (i) The Company; and
(ii) Mr. Chan

As at the date of this announcement, Mr. Chan is a director of Speed Apparel BVI, a wholly-owned subsidiary of the Company. Accordingly, Mr. Chan is a connected person of the Company at subsidiary level.

Performance period: The two financial years commencing from 1 April 2024 and ending 31 March 2026

Principal terms: Pursuant to the terms of the Incentive Agreement, Mr. Chan undertakes to the Company to procure to meet the following performance targets for the Performance Period:

- (i) the audited aggregate total revenue of the Apparel Group (the “**Total Revenue**”) shall be not less than US\$40,000,000 (the “**Revenue Target**”); and
- (ii) the audited aggregate total profits before interest, taxes, depreciation and amortisation of the Apparel Group (the “**Total EBITDA**”) shall be not less than HK\$1,045,000 (the “**Profit Target**”).

For the purpose of determining the Total Revenue and the Total EBITDA and whether the Revenue Target and/or the Profit Target were achieved for the Performance Period, the Company shall procure that its auditors issue a confirmation (the “**Audit Confirmation**”) within 14 working days after the publication of the audited financial statements of the Company for the year ending 31 March 2026.

If the Audit Confirmation shows that the Total Revenue of the Apparel Group for the Performance Period is less than the Revenue Target, Mr. Chan shall pay to the Company an amount equal to 8% of the shortfall between the Total Revenue and the Revenue Target on 30 June 2026 as compensation to the Company.

If the Audit Confirmation shows that the Total EBITDA of the Apparel Group for the Performance Period is less than the Profit Target, Mr. Chan shall pay to the Company an amount equal to the shortfall between the Total EBITDA and the Profit Target on 30 June 2026 as compensation to the Company.

If the Total EBITDA of the Apparel Group for the Performance Period is negative (i.e. the Audit Confirmation shows that the Apparel Group recorded loss of earnings before interest, taxes, depreciation and amortisation (the “**Actual Loss**”) for the Performance Period) Mr. Chan shall pay to the Company: (i) an amount equal to the Profit Target; plus (ii) an amount equal to the Actual Loss on 30 June 2026 as compensation to the Company.

If the Audit Confirmation shows that the Total EBITDA of the Apparel Group for the Performance Period exceeds HK\$6,000,000:

- (a) where the Total EBITDA of the Apparel Group exceeds HK\$6,000,000 but is less than HK\$10,000,000, Mr. Chan shall be entitled to a performance bonus in an amount equal to the 20% of the amount of Total EBITDA of the Apparel Group in excess of HK\$6,000,000 on 30 June 2026; and
- (b) where the Total EBITDA of the Apparel Group exceeds HK\$10,000,000, Mr. Chan shall be entitled to a performance bonus in an amount equal to the 30% of the amount of Total EBITDA of the Apparel Group in excess of HK\$10,000,000 on 30 June 2026,

shall be subject to an annual maximum cap of HK\$10,000,000. The Company and Mr. Chan further agreed that the payment of any compensation by Mr. Chan as a result of the failure to fulfil any performance targets may be set-off against any sums due by the Company and/or Speed Apparel BVI to Mr. Chan.

Payment date:

Any performance bonus payable under the Incentive Agreement shall be made by the Company on 30 June 2026.

REASONS FOR AND BENEFITS OF ENTERING INTO THE INCENTIVE AGREEMENT AND THE ISSUANCE OF THE 2024 NOTE

The Company is principally engaged in investment holding and its subsidiaries are principally engaged in provision of apparel supply chain management services and selling knitwear apparel products to its customers, Japan-People's Republic of China specialised contract research organisation and, innovative research organisation services, licensing and financing support and in-house research and development.

As disclosed in the joint announcement of the Company and EPS Holdings, Inc. dated 5 May 2021, Speed Development and Mr. Chan had agreed to provide certain profit and revenue guarantee to the Former Group as well as loan capital to the Former Group in 2021 of up to HK\$100,000,000 during the three financial years ending 31 March 2024, details of which are set out in the aforementioned joint announcement.

In view of the approaching end of the previous profit and revenue guarantee period and the maturity of the financial assistance by Speed Development, and taking into consideration how the Apparel Group has benefitted from the roles and contributions of Mr. Chan as a senior management member of the Apparel Group in the past 3 years, the parties have agreed to renew the incentive structure set up in 2021 and the financial assistance by Speed Development to continue to provide working capital to the Apparel Group with a view to fulfil the performance targets to be fulfilled under the Incentive Agreement which, if met, would entitle Mr. Chan to certain performance bonuses.

As such, on 6 March 2024 (after trading hours), the Company issued to Mr. Chan the 2024 Note in the principal amount of HK\$50,000,000 due 30 June 2026, bearing an interest of 6% per annum, payable quarterly on the last business day of every three (3) calendar months after the date of issue of the 2024 Note. The funds raised from the 2024 Note shall be applied solely for the general working of the Apparel Group.

The Directors consider that the terms of the Incentive Agreement are fair and reasonable and although the transactions contemplated thereunder are not in the ordinary and usual course of business of the Company, they are and will be on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

Mr. Chan is a director of Speed Apparel BVI, a wholly-owned subsidiary of the Company. Accordingly, Mr. Chan is a connected person of the Company at subsidiary level and the transactions contemplated under the Incentive Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Board (including all independent non-executive Directors) has approved the Incentive Agreement and confirmed that the terms of the Incentive Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, it is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

As for the issuance of the 2024 Note, given that it involves financial assistance provided by a connected person to the Company which is not secured by any assets of the Company and is conducted on normal commercial terms or better, the issuance of the 2024 Note is fully exempted from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“2024 Note”	the unsecured 6% note issued by the Company in favour of Mr. Chan in the principal amount of HK\$50,000,000 due on 30 June 2026
“Apparel Group”	Speed Apparel BVI and its subsidiaries
“Board”	the board of Directors
“Company”	EPS Creative Health Technology Group Limited (stock code: 3860), a company incorporated in the Cayman Islands with limited liability and its issued Shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company from time to time
“Former Group”	all subsidiaries of the Company as at 26 April 2021 (excluding the Company)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Incentive Agreement”	the incentive agreement dated 6 March 2024 and entered into between the Company and Mr. Chan in relation to the Performance Bonus
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Chan”	Mr. Chan Wing Kai, a director of Speed Apparel BVI, being a connected person of the Company at subsidiary level
“Performance Period”	the two financial years ending 31 March 2026
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Speed Apparel BVI”	Speed Apparel (BVI) Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Speed Development”	Speed Development Co. Ltd, a company incorporated in the British Virgin Islands and the entire issued shares of which is owned by Mr. Chan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By order of the Board
EPS Creative Health Technology Group Limited
Miyano Tsumoru
Executive Director

Hong Kong, 6 March 2024

As at the date of this announcement, the executive Directors are Mr. Shimada Tatsuji, Mr. Miyano Tsumoru, Mr. Maezaki Masahiro, Mr. Haribayashi Keikyo, Mr. Miyazato Hiroki and Mr. Chiu Chun Tak; the non-executive Directors are Mr. Kusaba Takuya and Mr. Yan Ping; and the independent non-executive Directors are Mr. Chan Cheuk Ho, Mr. Taguchi Junichi, Mr. Choi Koon Ming and Mr. Saito Hironobu.