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# **EPS Creative Health Technology Group Limited**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 3860)

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2024**

### **FINANCIAL HIGHLIGHTS**

For the year ended 31 March 2024, the operating results of the Group are as follows:

- Revenue of approximately HK\$644.6 million was recorded for the year ended 31 March 2024;
- Loss after taxation for the year ended 31 March 2024 amounted to approximately HK\$26.5 million;
- Basic loss per share for the year ended 31 March 2024 based on weighted average number of 500,000,000 ordinary shares was approximately HK4.41 cents; and
- The Directors do not recommend the payment of a final dividend for the year ended 31 March 2024.

## ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of EPS Creative Health Technology Group Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2024, together with comparative figures for the preceding financial year as follows:

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

*For the year ended 31 March 2024*

	<i>Notes</i>	<b>2024</b> <i>HK\$'000</i>	<b>2023</b> <i>HK\$'000</i>
Revenue	3	<b>644,615</b>	452,906
Cost of sales		<u><b>(545,358)</b></u>	<u>(385,059)</u>
<b>Gross profit</b>		<b>99,257</b>	67,847
Other income, gains and losses		<b>11,883</b>	(261)
Research and development expenses		<b>(24,309)</b>	(13,040)
Selling and distribution expenses		<b>(48,819)</b>	(33,768)
Administrative expenses		<u><b>(54,994)</b></u>	<u>(63,144)</u>
<b>Loss from operations</b>		<b>(16,982)</b>	(42,366)
Finance costs		<u><b>(7,070)</b></u>	<u>(5,795)</u>
<b>Loss before tax</b>	6	<b>(24,052)</b>	(48,161)
Taxation	5	<u><b>(2,444)</b></u>	<u>(2,125)</u>
<b>Loss for the year</b>		<u><b>(26,496)</b></u>	<u>(50,286)</u>
<b>Attributable to:</b>			
Owners of the Company		<b>(22,066)</b>	(45,737)
Non-controlling interests		<u><b>(4,430)</b></u>	<u>(4,549)</u>
<b>Loss for the year</b>		<u><b>(26,496)</b></u>	<u>(50,286)</u>
<b>Loss per share</b>	8		
Basic and diluted (HK cents)		<u><b>(4.41)</b></u>	<u>(9.15)</u>

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Loss for the year</b>	<b>(26,496)</b>	(50,286)
<b>Other comprehensive (expense) income for the year</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>(1,456)</u>	<u>388</u>
<b>Other comprehensive (expense) income for the year</b>	<u>(1,456)</u>	<u>388</u>
<b>Total comprehensive expense for the year</b>	<u><u>(27,952)</u></u>	<u><u>(49,898)</u></u>
<b>Attributable to:</b>		
Owners of the Company	(22,284)	(45,358)
Non-controlling interests	<u>(5,668)</u>	<u>(4,540)</u>
<b>Total comprehensive expense for the year</b>	<u><u>(27,952)</u></u>	<u><u>(49,898)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2024

	<i>Notes</i>	<b>31.3.2024</b> <i>HK\$'000</i>	31.3.2023 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>5,561</b>	3,387
Right-of-use assets		<b>4,087</b>	2,666
Other financial assets		<b>2,977</b>	2,977
Goodwill	<i>9</i>	<b>49,040</b>	–
Intangible assets	<i>10</i>	<b>155,310</b>	–
Refundable rental deposits	<i>11</i>	<b>981</b>	1,732
		<b>217,956</b>	10,762
<b>Current assets</b>			
Inventories		<b>15,747</b>	16,871
Contract assets		<b>985</b>	2,786
Trade and other receivables	<i>11</i>	<b>70,657</b>	56,488
Tax recoverable		–	116
Pledged bank deposits		<b>9,000</b>	9,000
Cash and cash equivalents		<b>115,540</b>	131,471
		<b>211,929</b>	216,732
<b>Current liabilities</b>			
Trade and other payables and accruals	<i>12</i>	<b>52,084</b>	34,347
Contract liabilities		<b>3,269</b>	5,648
Amounts due to related companies	<i>13</i>	<b>78,360</b>	70,585
Amount due to ultimate holding company	<i>13</i>	<b>45,739</b>	318
Amount due to non-controlling interests	<i>13</i>	<b>11,759</b>	–
Lease liabilities		<b>2,606</b>	2,564
Tax payable		<b>3,878</b>	1,722
Bank borrowings		<b>7,335</b>	–
		<b>205,030</b>	115,184
<b>Net current assets</b>		<b>6,899</b>	101,548
<b>Total assets less current liabilities</b>		<b>224,855</b>	112,310

	<i>Notes</i>	<b>31.3.2024</b> <b>HK\$'000</b>	31.3.2023 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Lease liabilities		<b>1,512</b>	141
Amounts due to related companies	<i>11</i>	–	20,525
Amount due to non-controlling interests	<i>11</i>	<b>50,204</b>	–
Deferred tax liabilities		<u><b>34,957</b></u>	<u>–</u>
		<u><b>86,673</b></u>	<u>20,666</u>
<b>Net Assets</b>		<u><b>138,182</b></u>	<u>91,644</u>
<b>Capital and reserves</b>			
Share capital		<b>5,000</b>	5,000
Reserves		<u><b>60,355</b></u>	<u>82,639</u>
<b>Equity attributable to owners of the Company</b>		<b>65,355</b>	87,639
Non-controlling interests		<u><b>72,827</b></u>	<u>4,005</u>
<b>Total Equity</b>		<u><b>138,182</b></u>	<u>91,644</u>

## **NOTES**

*For the year ended 31 March 2024*

### **1. GENERAL INFORMATION**

EPS Creative Health Technology Group Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 19 November 2015.

The Company is an investment holding company. The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

### **2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

### **3. REVENUE**

Revenue represents the amounts received and receivable for goods sold and services provided by the Group, less discounts and sales related taxes, and leasing income during the year.

#### 4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (“CODM”), for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group’s reportable and operating segments are therefore as follows:

- (a) Trading of apparel products (“**Garment Business**”)
- (b) Trading of healthcare products and leasing of medical devices (“**Healthcare Products Business**”)
- (c) Provision of IRO and CRO services and In-house R&D Business (“**IRO with CRO and In-House R&D Business**”)

The following is an analysis of the Group’s revenue and results by operating and reportable segment.

	Revenue		Segment profit (loss)	
	2024	2023	2024	2023
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Garment Business	<b>466,978</b>	381,500	<b>7,069</b>	7,198
Healthcare Products Business	<b>139,488</b>	55,844	<b>7,711</b>	(5,409)
IRO with CRO and In-House R&D Business	<b>38,149</b>	15,562	<b>(36,403)</b>	(34,281)
Total	<b><u>644,615</u></b>	<u>452,906</u>	<b><u>(21,623)</u></b>	<u>(32,492)</u>
Bank interest income			<b>39</b>	190
Unallocated corporate expenses			<b>(2,330)</b>	(15,733)
Finance costs on lease liabilities			<b>(138)</b>	(126)
Loss before tax			<b><u>(24,052)</u></b>	<u>(48,161)</u>

All of the segment revenue reported above is from external customers.

The accounting policies of the operating and reportable segments are the same as the Group’s accounting policy described in note 2. Segment profit (loss) represents the profit earned/loss incurred by each segment without allocation of bank interest income, unallocated corporate expenses and finance costs on lease liabilities. This is the measure reported to the Group’s management for the purpose of resources allocation and performance assessment.

## Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

### As at 31 March 2024

	Garment Business <i>HK\$'000</i>	Healthcare Products Business <i>HK\$'000</i>	IRO with CRO and In-House R&D Business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	118,001	164,011	142,313	424,325
Other assets				<u>5,560</u>
Consolidated assets				<u><u>429,885</u></u>
Segment liabilities	88,446	99,277	100,654	288,377
Other liabilities				<u>3,326</u>
Consolidated liabilities				<u><u>291,703</u></u>

### As at 31 March 2023

	Garment Business <i>HK\$'000</i>	Healthcare Products Business <i>HK\$'000</i>	IRO with CRO and In-House R&D Business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	124,144	31,821	44,397	200,362
Other assets				<u>27,132</u>
Consolidated assets				<u><u>227,494</u></u>
Segment liabilities	99,823	17,593	15,538	132,954
Other liabilities				<u>2,896</u>
Consolidated liabilities				<u><u>135,850</u></u>



For the purpose of monitoring segment performance and allocating resources among segments:

- All assets are allocated to operating and reportable segments other than certain property, plant and equipment, other financial assets, certain other receivables and deposits, tax recoverable and cash and cash equivalents.
- All liabilities are allocated to operating and reportable segments other than certain other payables.

### Other Segment information

As at 31 March 2024

	Garment Business <i>HK\$'000</i>	Healthcare Products Business <i>HK\$'000</i>	IRO with CRO and In-House R&D Business <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measure of segment profit (loss) or segment assets						
Results or segment assets:						
Interest income	966	70	15	1,051	39	1,090
Interest expenses	6,932	–	–	6,932	138	7,070
Depreciation of property, plant and equipment	512	1,920	148	2,580	5	2,585
Depreciation of right-of-use assets	2,258	–	649	2,907	543	3,450
Amortisation of intangible assets	–	7,984	–	7,984	–	7,984
Additions to property, plant and equipment	143	4,887	–	5,030	7	5,037
Additions to right-of-use assets	3,545	–	1,436	4,981	–	4,981
Additions to intangible assets	–	94,497	71,869	166,366	–	166,366
Additions to goodwill	–	19,919	30,148	50,067	–	50,067

## As at 31 March 2023

	Garment Business <i>HK\$'000</i>	Healthcare Products Business <i>HK\$'000</i>	IRO with CRO and In-House R&D Business <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measure of segment profit (loss) or segment assets						
Results or segment assets:						
Interest income	–	–	–	–	190	190
Interest expenses	5,494	175	–	5,669	126	5,795
Depreciation of property, plant and equipment	825	504	169	1,498	3	1,501
Depreciation of right-of-use assets	2,574	–	–	2,574	407	2,981
Additions to property, plant and equipment	81	2,267	36	2,384	25	2,409
Additions to right-of-use assets	–	–	–	–	1,087	1,087

## Geographic information

The Group's operation of Garment Business, Healthcare Products Business and IRO with CRO and In-House R&D Business are located in Hong Kong, Japan and the PRC.

The Group's revenue from external customers and information about non-current assets by geographical location of the customers and assets respectively are set out below:

	Revenues from external customers		Non-current assets	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong	<b>30,602</b>	33,310	<b>107,338</b>	2,385
Japan	<b>214,703</b>	206,784	<b>105,376</b>	2,574
Mainland China	<b>134,383</b>	29,367	<b>1,284</b>	1,094
Europe	<b>71,688</b>	48,492	–	–
United States	<b>191,125</b>	131,191	–	–
Other countries	<b>2,114</b>	3,762	–	–
	<b><u>644,615</u></b>	<u>452,906</u>	<b><u>213,998</u></b>	<u>6,053</u>

*Note:* Non-current assets exclude financial assets.

## 5. TAXATION

Taxation in the consolidated statement of profit or loss represents:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
The taxation comprises:		
Current tax:		
Hong Kong Profits Tax		
Charge for the year	4,964	1,461
Overprovision in respect of prior year	(36)	–
PRC Enterprise Income Tax		
Charge for the year	23	43
Overprovision in respect of prior year	(105)	(281)
Japan Corporate Income Tax		
Charge for the year	67	940
Overprovision in respect of prior year	(1,152)	–
	<u>3,761</u>	<u>2,163</u>
Deferred tax credit for the year	(1,317)	(38)
	<u><u>2,444</u></u>	<u><u>2,125</u></u>

For the years ended 31 March 2024 and 2023, Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits of one of the subsidiaries of the Company and at 16.5% on the estimated assessable profits above HK\$2 million under the two-tiered profits tax rates regime. The assessable profits of group entities not qualified for the two-tier profit tax regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Under the rule of Japan Corporate Income Tax, the tax rate of the Japan subsidiaries is 30.62% for both years.

## 6. LOSS BEFORE TAX

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Auditor's remuneration	2,000	1,600
Staff costs (including directors' emoluments)		
– Salaries, wages and other benefits	52,252	52,864
– Contributions to retirement benefits schemes	<u>2,088</u>	<u>2,228</u>
Total staff costs	<u>54,340</u>	<u>55,092</u>
Cost of inventories recognised as an expense	508,455	363,359
Depreciation of property, plant and equipment	2,585	1,501
Depreciation of right-of-use assets	3,450	2,981
Amortisation of intangible assets	<u>7,984</u>	<u>–</u>
	<u><u>14,019</u></u>	<u><u>4,482</u></u>

## 7. DIVIDENDS

No dividend was paid or proposed for the years ended 31 March 2024 and 2023, nor has dividend been proposed since the end of reporting period.

## 8. LOSS PER SHARE

### Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK\$22,066,000 (2023: HK\$45,737,000) and the weighted average number of ordinary shares of 500,000,000 (2023: 500,000,000) in issue during the year.

### Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary share outstanding during the years ended 31 March 2024 and 2023.

## 9. GOODWILL

Goodwill is arisen from the acquisition of a subsidiary in Healthcare Products Business and the acquisition of a subsidiary in IRO with CRO and In-House R&D Business.

## 10. INTANGIBLE ASSETS

Intangible assets represent an exclusive distribution right with a supplier to trade healthcare products in the PRC for 10 years, and patent and unpatented technology acquired for two developing medical researches in Japan.

## 11. TRADE AND OTHER RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade debtors, net of loss allowance	46,835	34,593
Bills receivable	947	4,792
Deposits and other receivables	16,948	14,680
Prepayments	<u>6,908</u>	<u>4,155</u>
	<u><b>71,638</b></u>	<u><b>58,220</b></u>

Analysed for reporting purpose as:

Current assets	70,657	56,488
Non-current assets	<u>981</u>	<u>1,732</u>
	<u><b>71,638</b></u>	<u><b>58,220</b></u>

As at 1 April 2022, the carrying amount of trade receivables from contracts with customers was HK\$27,802,000.

As at 31 March 2024, trade debtors of HK\$46,835,000 (2023: HK\$34,593,000) comprised receivables from contracts with customers and lease receivables of HK\$46,325,000 (2023: HK\$34,593,000) and HK\$510,000 (2023: nil), respectively.

The Group's credit terms on Garment Business and Healthcare Products Business generally range from 30 to 90 days, while allows an average credit period of 60 to 120 days to its customers of the provision of IRO and CRO services. Credit period of 180 days is granted to a customer for the IRO and CRO services with whom the Group has a good business relationship and who is in sound financial condition.

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

## Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors based on the invoice date and net of loss allowance, is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
1 – 30 days	21,858	19,203
31 – 60 days	5,749	3,447
61 – 90 days	7,254	9,462
Over 90 days	<u>11,974</u>	<u>2,481</u>
	<u><u>46,835</u></u>	<u><u>34,593</u></u>

## 12. TRADE AND OTHER PAYABLES AND ACCRUALS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	32,880	22,406
Accrued staff costs	1,163	1,175
Accrued expenses	9,020	5,034
Other payables	<u>9,021</u>	<u>5,732</u>
	<u><u>52,084</u></u>	<u><u>34,347</u></u>

The following is an ageing analysis of trade payables presented based on the invoice date at the end of reporting period.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
1 – 30 days	17,957	19,848
31 – 60 days	10,619	1,413
61 – 90 days	1,190	–
Over 90 days	<u>3,114</u>	<u>1,145</u>
	<u><u>32,880</u></u>	<u><u>22,406</u></u>

**13. AMOUNTS DUE TO RELATED COMPANIES/ULTIMATE HOLDING COMPANY/NON-CONTROLLING INTEREST**

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
(a) Amounts due to related companies		
Carrying amount that is repayable:		
– repayable on demand or within one year	<b>78,360</b>	70,585
– over one year but less than two years	<u>–</u>	<u>20,525</u>
	<b>78,360</b>	91,110
Less: Amount due for settlement within one year (shown under current liabilities)	<u><b>(78,360)</b></u>	<u>(70,585)</u>
Amount due for settlement after one year	<u><u>–</u></u>	<u><u>20,525</u></u>
	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
(b) Amount due to ultimate holding company		
Amount due to ultimate holding company	<u><u><b>45,739</b></u></u>	<u><u>318</u></u>

(c) Amount due to non-controlling interests

At 31 March 2024, except for HK\$50,204,000 of amount due to non-controlling interests that is carried at FVTPL in relation to contingent consideration for acquisition of R&E Corporation Limited and its subsidiary, such amount will not be settled within one year. The remaining balance is unsecured, interest free and repayable within one year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INTRODUCTION

Under the apparel segment, the Group is engaged in Garment Business, providing apparel supply chain management service. 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 People's Republic of China (the "PRC"), Thailand and/or Cambodia.

Under the healthcare segment, the Group is also principally engaged in Healthcare Products Business, IRO with CRO services and In-house R&D Business. During the year ended 31 March 2024 (the "Reporting Year"), the Group has acquired (i) a Hong Kong company which together with its subsidiary are engaged in the sales of Japanese health food to the PRC market via an extensive distribution network; and (ii) a Japanese company which is developing medical devices specialized in in-body tissue architecture (iBTA) technology and is conducting investigator-initiated clinical trial for lower extremity artery bypass surgery in patients with critical lower extremity ischemia, as well as physician-initiated clinical trial for wound care in patients with diabetic foot ulcers.

### BUSINESS REVIEW

#### Garment Business

During the Reporting Year, the Group recorded revenue of approximately HK\$467.0 million for the Reporting Year in this segment, representing an increase of approximately 22.4% as compared to approximately HK\$381.5 million for the year ended 31 March 2023. The Group's gross profit for the Reporting Year in this segment amounted to approximately HK\$69.7 million (for the year ended 31 March 2023: approximately HK\$61.8 million). The increase in gross profit of the Group in this segment was primarily attributable to the increase in the sales volume of a major customer headquartered in the USA.

During the year under review, despite the generally optimistic global outlook driven by the pause in rate hikes and the strength of the USA economy, it is important for the Group to continue to closely monitor other economic instabilities like soaring inflation rates, increasing logistic costs as well as the high energy prices. Our sales teams would continue to expand our client bases and to explore more manufacturing sources and products development. Hopefully by doing so, we could maintain our garment business with a profitable margin.



## Healthcare Products Business

In order to expand our Healthcare Products Business (HCP Business), we made the following acquisitions during the Reporting Year.

In March 2023, we have acquired 65% equity interest of R&E Corporation Limited (“**R&E**”) which wholly owns a PRC company. Following the completion in May 2023, R&E and its subsidiary have become part of our Group.

R&E and its subsidiary possess an extensive distribution network and export/distribute Japanese health food to the PRC market via established channels. As such, R&E would be able to complement the existing business operations of the Group in HCP Business Unit by trading and distributing the healthcare products of the Group to generate income for the Group and create a positive synergy effect.

In this HCP Business Unit, we also have EP Trading Co., Ltd. (“**EP Trading**”) and its subsidiary, which has a long-established business operation with connection in the sourcing of healthcare products. They distribute large and medium-sized medical healthcare products for preclinical trials. They have also expanded the channels and network for the import/distribution of consumable healthcare products from overseas to the Japanese and the PRC markets.

In addition, EP Trading provides leasing of medical devices service to ensure the smooth running of clinical trials, such as electrocardiograms, drug refrigerators, centrifuges and other items.

HCP Business Unit recorded revenue of approximately HK\$139.5 million for the Reporting Year, representing an increase of approximately 150.0% as compared to approximately HK\$55.8 million for the year ended 31 March 2023. The Group’s gross profit for the Reporting Year in this segment amounted to approximately HK\$29.6 million (for the year ended 31 March 2023: approximately HK\$12.2 million). The increase in revenue and gross profit mainly arose as a result of the acquisition of R&E and its subsidiary. R&E distributes popular Japanese food products to the PRC, and gained substantial market shares via strong brand products and extensive networks.

## **Provision of Innovative Research Organization (IRO) Business with Specialised Contract Research Organization (CRO) Services and In-house R&D Business (“IRO with CRO Services and In-house R&D Business”)**

### ***IRO with CRO Services***

The Group has been aiming to provide one stop solution to academia, biotech-ventures and pharmaceutical companies in Japan and the PRC, based on our knowledge and know-how of drug development support businesses that we have cultivated over many years in Japan and the PRC.

We have called it “IRO Business” which is quite a new business model to provide services for business development and commercialization support including the entry of the PRC companies into the Japanese market and the entry of the biotech-ventures in Japan into the PRC. This business is also characterized by the fact that most of the business development clients are mainly in the early stage which require consultation and there shall be long-term benefits once these clients’ business proceed.

As a part of business function, the Group has CRO Services which is principally engaged in clinical trial services providing project management, clinical operations, data science, consulting for medical safety and regulatory science in the PRC.

The IRO Business would be expected to provide synergy for the expansion of the In-House R&D business and Healthcare Products Business (HCP Business) Unit of the Group.

### ***In-house R&D Business***

In order to expand our In-house R&D Business, we made the following acquisition during the reporting period.

In November 2023, we entered into a share transfer agreement to acquire approximately 47.3% equity interest in Biotube Co., Ltd. (“**Biotube**”) and a subscription agreement to subscribe for convertible bonds issued by Biotube. Following the completion of the acquisition and the subscription (and conversion of the said convertible bonds) in January 2024, the Company indirectly holds 51% equity interest in Biotube and it has become part of our Group.

Biotube is developing medical devices specialized in In-body tissue architecture (iBTA) technology, and developed a device that enables the subcutaneous formation of tubular tissue from the patient's own tissue and is conducting a physician-initiated clinical trial for lower extremity artery bypass surgery for patients with a lower extremity arterial disease (LEAD). Biotube has also developed a device that enables the subcutaneous formation of tissue bodies in which the patient's own stem cells and is conducting a physician-initiated clinical trial for wound treatment in patients with diabetic foot ulcers. Biotube has been working in the Group to aggressively pursue the early commercialization of iBTA technology for the implementation of new regenerative medicine in society.

In the In-house R&D Business, it has been focusing and making steady progress on the initiatives of (i) exploring the potential for anti-obesity and anti-diabetes using the brown fat cell induction technology; (ii) creating a new treatment option so that EIM-001 becomes an alternative to highly invasive surgical bypass surgery in peripheral artery diseases; (iii) pursuing the possibility of sublingual vaccines, focusing on the importance of secretory IgA, which it considers influences defense against allergic diseases as well as against new coronaviruses; and (iv) developing medical devices specialized in iBTA technology.

IRO Business with CRO Services and In-house R&D Business Unit recorded revenue of approximately HK\$38.1 million for the Reporting Year in this business segment, representing an increase of approximately 144.2% as compared to approximately HK\$15.6 million for the year ended 31 March 2023. The Group's gross loss for the Reporting Year in this segment amounted to approximately HK\$0.08 million (for the year ended 31 March 2023: gross loss of approximately HK\$6.1 million). The increase in revenue and decrease in gross loss mainly arose as a result of the PRC specialised CRO business being competitive and that the Group is in the process to coordinate industry resources to improve its margins.

## **Performance Review**

The Group's total comprehensive expense attributable to owners of the Company was approximately HK\$22.3 million for the Reporting Year (for the year ended 31 March 2023, the total comprehensive expense attributable to owners of the Company was as approximately HK\$45.4 million). The decrease of the total comprehensive expense attributable to owners of the Company is mainly attributable to (i) the increase in profit on healthcare products business of approximately HK\$13.1 million and (ii) the fair value gain on promissory note due to non-controlling interests of approximately HK\$16.1 million.

## FINANCIAL REVIEW

### Revenue from Garment Business

The Group's knitwear products are divided into three categories, namely womenswear products, menswear products and kidswear products. During the Reporting Year, the Group's revenue mainly derived from the sales of womenswear products, which accounted for approximately 72.5% (for the year ended 31 March 2023: approximately 78.3%) of the Group's total revenue for the Reporting Year. The following table sets out a breakdown of the Group's revenue by product category for each of the two years ended 31 March 2024:

	Year ended 31 March				Rate of Change
	2024		2023		
	<i>HK'000</i>	%	<i>HK'000</i>	%	
Womenswear	<b>338,604</b>	<b>72.5</b>	298,830	78.3	13.3
Menswear	<b>117,833</b>	<b>25.2</b>	68,995	18.1	70.7
Kidswear	<b>10,541</b>	<b>2.3</b>	13,675	3.6	(23.4)
Total	<b><u>466,978</u></b>	<b><u>100.0</u></b>	<b><u>381,500</u></b>	<b><u>100.0</u></b>	22.4

During the Reporting Year, the sales volume of the Group amounted to approximately 5.7 million pieces (for the year ended 31 March 2023: approximately 4.6 million pieces) of finished knitwear products. Set out below are the total sales quantity of each product category for each of the two years ended 31 March 2024:

	Year ended 31 March				Rate of Change
	2024		2023		
	Pieces '000	%	Pieces '000	%	
Womenswear	<b>3,993</b>	<b>70.5</b>	3,345	73.1	19.4
Menswear	<b>1,476</b>	<b>26.0</b>	969	21.2	52.3
Kidswear	<b>200</b>	<b>3.5</b>	264	5.7	(24.2)
Total	<b><u>5,669</u></b>	<b><u>100.0</u></b>	<b><u>4,578</u></b>	<b><u>100.0</u></b>	23.8

The selling price of each of the product category depends primarily on, among other things, (i) the complexity of the product design; (ii) the size of an order; (iii) the delivery schedule set out 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 by different customers. Set out below are the average selling prices per piece of finished product sold by the Group by product category for each of the two years ended 31 March 2024:

	Year ended 31 March		Rate of Change
	2024	2023	
	Average	Average	
	selling price	selling price	
	(Note)	(Note)	
	HK\$	HK\$	%
Womenswear	84.8	89.3	(5.0)
Menswear	79.8	71.2	12.1
Kidswear	52.7	51.8	1.7
Overall average selling price per piece	<u>82.4</u>	<u>83.3</u>	<u>(1.1)</u>

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

The Group's revenue from the garment segment increased by approximately 22.4%, or approximately HK\$85.5 million, from approximately HK\$381.5 million for the year ended 31 March 2023 to approximately HK\$467.0 million for Reporting Year. The increase in revenue was primarily attributable to the increase in purchase orders of the Group from a major customer headquartered in the USA.

### Womenswear

During the Reporting Year, the Group's revenue from the garment segment mainly derived from the sales of womenswear products. Revenue derived from the sales of womenswear products increased by approximately HK\$39.8 million or 13.3%, from approximately HK\$298.8 million for the year ended 31 March 2023 to approximately HK\$338.6 million for the Reporting Year. Such increase was mainly attributable to the increase in sales quantity from approximately 3.3 million pieces for the year ended 31 March 2023 to approximately 4.0 million pieces for the Reporting Year, which outweighed the decrease in average selling price per piece of womenswear products from approximately HK\$89.3 for the year ended 31 March 2023 to approximately HK\$84.8 for the Reporting Year.

## Menswear

The Group's revenue derived from the sales of menswear products increased by approximately HK\$48.8 million or 70.7% from approximately HK\$69.0 million for the year ended 31 March 2023 to approximately HK\$117.8 million for the Reporting Year. Such increase was mainly attributable to the increase in sales quantity from approximately 1.0 million pieces for the year ended 31 March 2023 to approximately 1.5 million pieces for the Reporting Year coupled with the increase in average selling price per piece of menswear products from approximately HK\$71.2 for the year ended 31 March 2023 to approximately HK\$79.8 for the Reporting Year.

## Kidswear

Revenue derived from the sales of kidswear products of the Group decreased by approximately HK\$3.2 million or 23.4% to approximately HK\$10.5 million for the Reporting Year from approximately HK\$13.7 million for the year ended 31 March 2023. 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 0.3 million pieces for the year ended 31 March 2023 to approximately 0.2 million pieces for the Reporting Year, which outweighed the increase in average selling price per piece of the kidswear products from approximately HK\$51.8 for the year ended 31 March 2023 to approximately HK\$52.7 for the Reporting Year.

## Revenue from Healthcare Products Business

Revenue derived from the Healthcare Products Business (HCP Business) of the Group increased by approximately HK\$83.7 million or 150.0% to approximately HK\$139.5 million for the year ended 31 March 2024 from approximately HK\$55.8 million for the year ended 31 March 2023. The increase in revenue and gross profit mainly arose as a result of the acquisition of R&E and its subsidiary. R&E distributes popular Japanese food products to the PRC, and gained substantial market shares via strong brand products and extensive networks. On the other hand, EP Trading's revenue decreased due to re-evaluation of the product line.

	Revenue		
	Year ended 31 March		
	2024	2023	Rate of Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
R&E	<b>91,681</b>	–	n/a
EP Trading	<b>47,807</b>	55,844	(14.4)
Total	<b>139,488</b>	55,844	150.0

## Revenue from IRO with CRO and In-house R&D Business

Revenue derived from the IRO with CRO Services and In-house R&D Business of the Group increased by approximately HK\$22.5 million or 145.1% to HK\$38.1 million for the year ended 31 March 2024 from approximately HK\$15.6 million for the year ended 31 March 2023.

	Revenue		
	Year ended 31 March		Rate of Change %
	2024 HK\$'000	2023 HK\$'000	
IRO with CRO	38,143	15,468	146.6
In-house R&D	6	94	(93.6)
Total	<u>38,149</u>	<u>15,562</u>	<u>145.1</u>

## Gross profit and gross profit margins

### *Garment Business*

The Group's gross profit is improved to approximately HK\$69.7 million for the Reporting Year as compared with approximately HK\$61.8 million for the year ended 31 March 2023, representing an increase of approximately 12.8%. The Group's gross profit margin decreased to approximately 14.9% for the Reporting Year from approximately 16.2% for the year ended 31 March 2023. Such decrease in the Group's gross profit margin was mainly attributable to the decrease in average selling price per piece of womenswear products for the Reporting Year.

### *Healthcare Products Business (HCP Business)*

The Group's gross profit in this business segment increased to approximately HK\$29.6 million for the year ended 31 March 2024 from approximately HK\$12.2 million for the year ended 31 March 2023, representing an increase of approximately 142.6%. The increase in revenue and gross profit mainly arose as a result of the acquisition of R&E and its subsidiary. R&E distributes popular Japanese food products to the PRC, and gained substantial market shares via strong brand products and extensive networks.

### *IRO with CRO Services and In-house R&D Business*

The Group's gross loss decreased to approximately HK\$0.08 million for the year ended 31 March 2024 from gross loss of approximately HK\$6.1 million for the year ended 31 March 2023, representing a decrease of approximately 98.7%. The increase in revenue and decrease in gross loss mainly arose as result of the PRC specialised CRO business being competitive and that the Group is in the process to coordinate industry resources to improve its margins.

## **Other income, gains and losses**

Other income, gains and losses mainly consist of sample sales income, exchange loss and fair value gain on promissory note due to non-controlling interests. Other income, gains and losses increased by approximately HK\$12.2 million for the year ended 31 March 2024 to gain of HK\$11.9 million from loss of approximately HK\$0.3 million for the year ended 31 March 2023. The increase in other income, gains and losses of the Group was primarily attributable to the fair value gain on promissory note due to non-controlling interests of approximately HK\$16.1 million, issued for the acquisition of the 65% equity interests in R&E during the Reporting Year.

## **Research and development expenses**

Research and development expenses have increased to approximately HK\$24.3 million for the year ended 31 March 2024 from approximately HK\$13.0 million for the year ended 31 March 2023, representing an increase of approximately 86.9%. Such increase was mainly attributable to the increase in research and development trials during the year.

## **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\$48.8 million for the year ended 31 March 2024 from approximately HK\$33.8 million for the year ended 31 March 2023, representing an increase of approximately 44.4%. Such increase was mainly attributable to the overall increase in transportation cost and the selling expenses of the Healthcare Products Business and the Garment Business.

## **Administrative expenses**

Administrative expenses primarily consist of legal and professional fees, overseas and local travelling and general administrative expenses. Administrative expenses decreased to approximately HK\$55.0 million for the year ended 31 March 2024 from approximately HK\$63.1 million for the year ended 31 March 2023, representing a significant decrease of approximately 12.8%. Such decrease was mainly attributable to the decrease in staff costs and benefits during the year.

## **Finance costs**

Finance costs increased to approximately HK\$7.1 million for the year ended 31 March 2024 from approximately HK\$5.8 million for the year ended 31 March 2023. Such increase was mainly attributable to the increase in the factoring cost arisen from the Garment Business.



## **Total comprehensive expense attributable to owners of the Company**

Total comprehensive expense attributable to owners of the Company amounted to approximately HK\$22.3 million for the year ended 31 March 2024 compared with that of approximately HK\$45.4 million for the year ended 31 March 2023, representing a decrease of approximately HK\$23.1 million. The decrease in the total comprehensive expense attributable to owners of the Company is mainly attributable to (i) the increase in profit on healthcare products business of approximately HK\$13.1 million and (ii) the fair value gain on promissory note due to non-controlling interests of approximately HK\$16.1 million.

## **BASIC LOSS PER SHARE**

The Company's basic loss per share for the year ended 31 March 2024 was approximately HK4.41 cents, as compared to the basic loss per share of approximately HK9.15 cents for the year ended 31 March 2023. The significant decrease in the Company's basic loss per share for the year ended 31 March 2023 was a result of the increase in revenue generated in the Healthcare Products Business for the year ended 31 March 2024.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 March 2024 (for the year ended 31 March 2023: Nil).

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the year ended 31 March 2024, the Group's operations were generally financed through its internally generated cash flows and borrowings from banks. The Directors believe that in the long term, the Group's operations will be funded by a combination of internally generated cash flows and bank borrowings and, if necessary, additional equity financing.

As at 31 March 2024 and 2023, the Group had net current assets of approximately HK\$6.9 million and HK\$101.5 million, respectively, including cash and cash equivalents of approximately HK\$115.5 million and HK\$131.5 million, respectively. The Group's current ratio decreased from approximately 1.9 as at 31 March 2023 to approximately 1.0 as at 31 March 2024. Such decrease was mainly due to the significant increase of current liabilities by approximately 78.0% as compared to the balances as at 31 March 2023. They were mainly attributable to the additional research and development cost and losses arisen from the IRO with CRO and In-house R&D Business and the increase in amount due to ultimate holding company.

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 31 March 2024 and 2023, the Group's gearing ratio was 0.08 and 0.03, respectively. The Group entered into two banking facility agreements with the amount in aggregate of up to approximately HK\$19.8 million (at 31 March 2023: HK\$19.8 million). The Group's rate of unutilised banking facilities was 63.1% as at 31 March 2024. With the existing available cash and cash equivalents, the Group has sufficient liquidity to satisfy its funding requirements, but the Group will continue to look for fund raising opportunities in order to further strengthen the Group financial cash position.

## **TREASURY POLICIES**

The Group adopts prudent treasury policies. The Group's credit risk is primarily attributable to its trade 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/are 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 expected loss allowance is made. 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 their historical settlement records, credit qualities and financial positions of the counterparties. In management of the liquidity risk, the Board closely monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in the currency of Japanese Yen ("JPY") and Renminbi ("RMB").

## **CAPITAL STRUCTURE**

There was no change in the capital structure of the Company during the year ended 31 March 2024. The share capital of the Company only comprises ordinary shares.

As at 31 March 2024, the Company's issued share capital was HK\$5.0 million divided by 500,000,000 ordinary shares of HK\$0.01 each.

## **MATERIAL ACQUISITIONS OF SUBSIDIARIES**

During the year ended 31 March 2024, the Group has acquired 51% of the issued share capital of Biotube.

References are made to announcements of the Company dated 29 November 2023 and 29 January 2024.

On 29 November 2023, EPS Innovative Medicine (Japan) Co., Ltd., a wholly owned subsidiary of the Company as purchaser and individual shareholders of Biotube as vendors, entered into a share transfer agreement. The total consideration for the acquisition is approximately JPY612.2 million (equivalent to approximately HK\$31.8 million).

On the same day, EPS Innovative Medicine (Japan) Co., Ltd., entered into a subscription agreement in relation to the subscription for convertible bonds issued by Biotube at the principal amount of approximately JPY150.0 million (equivalent to approximately HK\$7.8 million).

Following the completion of the acquisition and the subscription (and conversion of the aforesaid convertible bonds) in January 2024, the Company indirectly holds 51% equity interest in Biotube and it has become part of our Group.

Save as disclosed above, during the year ended 31 March 2024, the Group did not have any significant acquisitions or disposals of subsidiaries, associates or joint ventures nor had any significant investment with a value of 5% or more of the Company's total assets.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

The Group currently has no other plan for material investments and capital assets.

## **CONTINGENT LIABILITIES**

A subsidiary of the Company has been involved in a legal action as a defendant for its alleged failure to provide a compensation to the plaintiff.

The Directors are of the opinion that, based on legal advice sought, there are valid grounds to defend against the legal claim. The Group will also take appropriate actions to negotiate for settlement, and the legal claim is expected to be settled in the course of the next twelve months.

The maximum liabilities of the Group under the legal action were in the amount of HK\$5,280,000. Save as disclosed above, the Group did not have any material contingent liabilities as at 31 March 2024 (as at 31 March 2023: HK\$Nil).

## **CAPITAL COMMITMENTS**

The Group has capital commitments of JPY50 million (equivalent to approximately HK\$2.6 million) as at 31 March 2024 (as at 31 March 2023: JPY50 million (equivalent to approximately HK\$2.9 million)).

## FOREIGN EXCHANGE EXPOSURE

Certain trade and bills receivables, other receivables, bank and cash balances, trade and other payables are denominated in foreign currency of the respective group entities which are exposed to foreign currency risk. Although the Group's revenue and major expenses are mainly in US\$, the functional currency of the Company is HK\$, as HK\$ is pegged to US\$, the Group does not expect any significant movement in the US\$/HK\$ exchange rate. The Group has operations both in the PRC and Japan and the Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure in relation to JPY and RMB should the need arise.

## PLEDGE OF ASSETS

At the end of each of the below reporting years, the following assets were pledged to banks to secure certain banking facilities granted to the Group:

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Pledged bank deposit	<u>9,000</u>	<u>9,000</u>

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2024, the Group employed a total of 136 full-time employees (as at 31 March 2023: 136). The Group's staff costs included Directors' emoluments, salaries, other staff benefits and contributions to retirement schemes. For the years ended 31 March 2024 and 2023, the Group's total staff costs (including Directors' emoluments) amounted to approximately HK\$54.3 million and HK\$55.1 million, respectively. Remuneration is determined with reference to market terms and the performance, qualification(s), experience, position and seniority of individual employee. In addition to the basic salary, year-end bonuses would be discretionarily offered to those employees with outstanding performance, in order to retain employees continuously contributing to the Group.

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 under the share option scheme.

## COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 March 2024, the Group mainly carried out its businesses in Hong Kong, the PRC and Japan. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied with all relevant laws and regulations in Hong Kong, the PRC and Japan.

## **ENVIRONMENTAL POLICY**

The Group aims to protect the environment by minimising environmental adverse impacts in daily operations, such as energy saving and recycling of office resources. The Group will continue to seek better environmental practices and promote the right environmental attitudes within the organisation. The Group has complied with all relevant laws, rules and regulations regarding environmental protection, health and safety, workplace conditions and employment during the year ended 31 March 2024.

## **RELATIONSHIP WITH STAKEHOLDERS**

The Group recognises employees as one of the valuable assets of the Group and the Group strictly complies with the labour laws, rules and regulations in Hong Kong and reviews regularly the existing staff benefits for improvement. Apart from the reasonable remuneration packages, the Group also offers other employee benefits, such as medical insurance, birthday leave to the eligible employees, etc. The Group works closely with its customers in devising new product designs each season and delivering knitwear products according to their requirements. The Group's Garment Business had maintained business relationships with its major customers for a period ranging from 2 to 14 years. Over the years, the Directors believe that the Group has fostered a trustworthy and reliable strategic partnership with its customers built upon its proven track record of quality products, industry and product know-how, market awareness, dedicated management team and competitive pricing. The Group has also established stable, close working and long-term relationships with its suppliers. During the year, there was no material dispute or disagreement with the employees, the customers and the suppliers of the Group.

## **FUTURE PROSPECTS**

### **Garment Business**

Despite the unstable economic environment, the Group will continue to adopt flexible approaches in its business operation and take effective cost control measures. The management believes that the demand for apparel supply chain management service will recover gradually in the second half of 2024. To this end, the Group will strive to maintain good relationship with its existing clients and pro-actively acquire new customers by upgrading its existing facilities and enhancing its competitive strengths, in order to reduce the adverse effects of social uncertainties.

### **Healthcare Segment (Healthcare Products Business and IRO with CRO Services and In-house R&D Business)**

The Group considers that the increase in the consumption level in the PRC builds the base for the steady growth in China's healthcare products market. The overall healthcare products market probably will continue its steadily increasing trend for a long time in the future.

In addition to the In-house R&D business, 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 has fully prepared, integrated and launched businesses in the healthcare segment during the reporting period, and expanded its services scope to IRO with CRO services with the provision of comprehensive solutions in Japan such as new drug development planning, development promotion, and commercialisation support including licensing and financing support, Japan-PRC specialized CRO service and Japanese-Chinese medical personnel exchange service.

Our newly acquired subsidiary, Biotube, owns pipelines under on-going investigator initiative clinical trials projects which are highly compatible with the development area of the Group. The Group expects synergy effect to be created thereby. The resources and innovative research technology controlled by Biotube are of high quality which will further improve the development of the Group's innovative research sector, in line with the overall development strategy of the Group.

In addition to the above expansion, the Group is steadily enhancing the necessary functions step by step toward our vision which is to create the business co-creation platform satisfying a wide range of needs and demands in the healthcare industry as a business development partner.

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.

## **OTHER INFORMATION**

### **Corporate Governance Practices**

The Board recognises that the transparency and accountability are important to a listed company. As such, 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 healthy corporate culture in return for the benefits of the Company's stakeholders as a whole.

The Company has adopted the provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of Appendix C1 to the Listing Rules. The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of the shareholders and other stakeholders of the Company.

During the Reporting Year, the Group has complied with all the code provisions of the CG Code save as the deviation from the code provision C.2.1 of the CG Code for the period from 1 April 2023 to 31 March 2024, where Mr. Okoso Satoshi (“**Mr. Okoso**”), a former executive director of the Company, and following the resignation of Mr. Okoso, Mr. Shimada Tatsuji (“**Mr. Shimada**”), an executive Director, took up the roles of the chairman of the Board and the chief executive officer of the Company during the periods from 1 April 2023 to 31 October 2023 and from 1 November 2023 to 31 March 2024 respectively. They have been managing the Group’s business and supervising the overall operations of the Group in the respective periods. The Directors consider that vesting the roles of the chairman of the Board and the chief executive officer of the Company in the same individual is beneficial to the management and the business developments of the Group and will 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 of the Company 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 (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its code of conduct for securities transactions by the Directors. Having been made specific enquiry 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 year ended 31 March 2024.

### **Purchase, Sale or Redemption of The Company’s Listed Securities**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities for the year ended 31 March 2024.

### **Events After the Reporting Period**

#### *Waiver of notes*

The revenue and profit after tax of the Group attributable to the Garment Business for the year ended 31 March 2024 is HK\$466,977,764 and HK\$7,863,869 respectively while the targeted revenue and profit is HK\$240,000,000 and HK\$10,000,000 respectively.

As the profit after tax is lower than the guaranteed profit pursuant to the sale and purchase agreement dated 26 April 2021 (the “**Agreement**”) and entered into among the EPS Holdings, Inc. (the “**Purchaser**”), Speed Development Co. Ltd (the “**Vendor**”) and Mr. Chan Wing Kai (the “**Guarantor**”) in relation to the sale and purchase of an aggregate of 375,000,000 ordinary shares in the share capital of the Company, details of which are set out in the composite document of the Company and the Purchaser dated 26 May 2021 (the “**Composite Document**”), the Vendor and the Guarantor were required to compensate the Company by waiving a portion of the unsecured interest-free non-transferrable notes due on 30 June 2024 issued by Speed Apparel (BVI) Limited, a wholly-owned subsidiary of the Company,

in favour of the Vendor, pursuant to the terms and conditions set out in the Agreement, details of which are set out in the Composite Document. As such, HK\$2,136,131 out of HK\$21,666,000 of the Notes will be waived.

### ***Subscription of new shares under general mandate***

On 9 April 2024, the Company has entered into two subscription agreements with two subscribers for 10,080,645 and 12,096,774 ordinary shares of the Company respectively at a subscription price of HK\$0.992 per share. The net proceeds from the issue of subscription shares was approximately HK\$21.8 million. The Group intends to apply the proceeds as general working capital of the Group. For details, please refer to the announcements of the Company dated 9 April 2024 and 22 April 2024.

### **Closure of Register of Members**

The Company will make further announcement when the book closure period of the transfer books and the register of members of the Company for determining shareholders' entitlement to attend and vote at the forthcoming annual general meeting is fixed.

### **Audit Committee**

The audit committee (the “**Audit Committee**”) of the Company was established with terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules and code provision D.3.3 of the CG Code. The primary duties of the Audit Committee are to (i) assist the Board in reviewing the Company's financial information; (ii) oversee the Group's financial reporting system, risk management and internal control systems; (iii) review and monitor the effectiveness of the scope of audit; and (iv) make recommendations 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 an independent non-executive Director), Mr. Choi Koon Ming, being an independent non-executive Director, and Mr. Kusaba Takuya, being a non-executive Director. No member of the Audit Committee is a member of the former or existing independent auditor of the Company. The Audit Committee has reviewed the consolidated results of the Group for the year ended 31 March 2024.

### **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 27 June 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.



**Publication of the Annual Results Announcement and Annual Report for the Year Ended 31 March 2024 on the Website**

This announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the website of the Company at <http://www.epshk.hk>. The annual report of the Company for the year ended 31 March 2024 will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board  
**EPS Creative Health Technology Group Limited**  
**Shimada Tatsuji**  
*Executive Director and Chief Executive Officer*

Hong Kong, 27 June 2024

*As at the date of this announcement, the executive Directors are Mr. Shimada Tatsuji, Mr. Miyano Tsumoru, Mr. Maezaki Masahiro, 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. Choi Koon Ming, Mr. Saito Hironobu and Mr. Taniguchi Yasuhiko.*