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EPS Creative Health Technology Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3860)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

FINANCIAL HIGHLIGHTS

- Revenue of approximately HK\$346.9 million was recorded for the Reporting Period;
- Profit after taxation for the Reporting Period amounted to approximately HK\$17.1 million;
- Basic earnings per share for the Reporting Period based on weighted average number of 519,632,000 ordinary shares of the Company was approximately 2.83 HK cents; and
- The Board does not recommend the payment of an interim dividend for the Reporting Period.

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 2024 (the “**Reporting Period**”) together with comparative unaudited figures for the corresponding period in 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2024

	<i>Notes</i>	Six months ended 30 September	
		2024 <i>HK\$'000</i> (unaudited)	2023 <i>HK\$'000</i> (unaudited)
Revenue	3	346,878	357,829
Cost of sales		<u>(297,327)</u>	<u>(308,998)</u>
Gross profit		49,551	48,831
Other income and loss	5	29,731	15,170
Research and development expenses		(7,429)	(11,408)
Selling and distribution expenses		(20,187)	(25,475)
Administrative expenses		(27,618)	(32,149)
Finance costs		<u>(4,746)</u>	<u>(3,151)</u>
Profit/(loss) before taxation	8	19,302	(8,182)
Income tax expense	6	<u>(2,236)</u>	<u>(500)</u>
Profit/(loss) for the period		<u>17,066</u>	<u>(8,682)</u>
Profit/(loss) for the period attributable to:			
Owners of the Company		14,684	(5,235)
Non-controlling interests		<u>2,382</u>	<u>(3,447)</u>
		<u>17,066</u>	<u>(8,682)</u>
Earnings/(loss) per share			
Basic and diluted (HK cents)	9	<u>2.83</u>	<u>(1.05)</u>

Six months ended 30 September

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Note</i>	(unaudited)	(unaudited)
Other comprehensive expense for the period:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u>(1,059)</u>	<u>(897)</u>
Other comprehensive expense for the period	<u>(1,059)</u>	<u>(897)</u>
Total comprehensive income/(expense) for the period	<u>16,007</u>	<u>(9,579)</u>
Total comprehensive income/(expense) attributable to:		
Owners of the Company	10,539	(6,053)
Non-controlling interests	<u>5,468</u>	<u>(3,526)</u>
	<u>16,007</u>	<u>(9,579)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2024

		30 September 2024 <i>HK\$'000</i> (unaudited)	31 March 2024 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		7,236	5,561
Right-of-use assets		3,707	4,087
Other financial assets		2,527	2,977
Goodwill		50,743	49,040
Intangible assets		155,770	155,310
Refundable rental deposits	10	<u>1,133</u>	<u>981</u>
		<u>221,116</u>	<u>217,956</u>
Current assets			
Inventories		25,105	15,747
Contract assets		1,825	985
Trade and other receivables	10	131,619	70,657
Pledged bank deposit		4,000	9,000
Bank and cash balances		<u>91,285</u>	<u>115,540</u>
		<u>253,834</u>	<u>211,929</u>
Current liabilities			
Trade and other payables and accruals	11	108,454	52,084
Contract liabilities		888	3,269
Amount due to related companies		21,309	78,360
Amount due to ultimate holding company		20,268	45,739
Amount due to non-controlling interests		11,759	11,759
Bank borrowing		7,561	7,335
Lease liabilities		2,769	2,606
Tax payable		<u>6,164</u>	<u>3,878</u>
		<u>179,172</u>	<u>205,030</u>
Net current assets		<u>74,662</u>	<u>6,899</u>
Total assets less current liabilities		<u>295,778</u>	<u>224,855</u>

	30 September 2024 HK\$'000 (unaudited)	31 March 2024 HK\$'000 (audited)
Non-current liabilities		
Lease liabilities	995	1,512
Amount due to a related party	49,407	–
Amount due to non-controlling interests	33,801	50,204
Deferred tax liabilities	35,377	34,957
	<u>119,580</u>	<u>86,673</u>
NET ASSETS	<u>176,198</u>	<u>138,182</u>
Capital and reserves		
Share capital	5,222	5,000
Reserves	92,680	60,355
	<u>97,902</u>	<u>65,355</u>
Equity attributable to the owners of the Company	97,902	65,355
Non-controlling interests	78,296	72,827
	<u>176,198</u>	<u>138,182</u>
TOTAL EQUITY	<u>176,198</u>	<u>138,182</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

1. BASIS OF PREPARATION

The condensed consolidated financial statements of EPS Creative Health Technology Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. 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.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 March 2024.

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 April 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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.

3. REVENUE

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

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Trading of apparel products		
– Womenswear	212,842	189,852
– Menswear	27,823	78,885
– Kidswear	4,316	6,227
	<u>244,981</u>	<u>274,964</u>
Trading of healthcare products	68,317	65,060
Provision of innovative research organisation (“IRO”) and specialised contract research organisation (“CRO”) services	<u>28,489</u>	<u>17,805</u>
Revenue from contracts with customers	341,787	357,829
Leasing of medical devices	<u>5,091</u>	<u>–</u>
	<u><u>346,878</u></u>	<u><u>357,829</u></u>

4. SEGMENT INFORMATION

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 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 Group's reportable 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**”)

4. SEGMENT INFORMATION (continued)

Segment revenues and results

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

	Six months ended 30 September 2024			Consolidated <i>HK\$'000</i> (unaudited)
	Garment Business <i>HK\$'000</i> (unaudited)	Healthcare Products Business <i>HK\$'000</i> (unaudited)	IRO with CRO and In-house R&D Business <i>HK\$'000</i> (unaudited)	
Segment revenue	<u>244,981</u>	<u>73,408</u>	<u>28,489</u>	<u>346,878</u>
Segment profit (loss)	<u>4,237</u>	<u>5,306</u>	<u>(4,369)</u>	5,174
Unallocated amounts:				
Bank interest income				724
Unallocated corporate expenses				(6,463)
Unallocated corporate income				20,041
Finance costs on lease liabilities				<u>(174)</u>
Profit before taxation				<u>19,302</u>
	Six months ended 30 September 2023			
	Garment Business <i>HK\$'000</i> (unaudited)	Healthcare Products Business <i>HK\$'000</i> (unaudited)	IRO with CRO and In-house R&D Business <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Segment revenue	<u>274,964</u>	<u>65,060</u>	<u>17,805</u>	<u>357,829</u>
Segment profit (loss)	<u>9,812</u>	<u>(369)</u>	<u>(26,661)</u>	(17,218)
Unallocated amounts:				
Bank interest income				760
Unallocated corporate expenses				(5,806)
Unallocated corporate income				14,099
Finance costs on lease liabilities				<u>(17)</u>
Loss before taxation				<u>(8,182)</u>

4. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

As at 30 September 2024 (unaudited)

	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	111,244	176,485	174,825	462,554
Other assets				<u>12,396</u>
Consolidated assets				<u><u>474,950</u></u>
Segment liabilities	56,991	76,284	98,382	231,657
Other liabilities				<u>67,095</u>
Consolidated liabilities				<u><u>298,752</u></u>

As at 31 March 2024 (audited)

	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>

4. SEGMENT INFORMATION (continued)

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	
	Six months ended 30 September		As at 30 September	As at 31 March
	2024	2023	2024	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(audited)
Hong Kong	<u>16,470</u>	<u>13,792</u>	<u>104,820</u>	<u>107,338</u>
Japan	88,592	106,979	111,789	105,376
Mainland China	81,592	67,428	847	1,284
Europe	73,988	47,787	–	–
United States	84,126	120,467	–	–
Other countries	<u>2,110</u>	<u>1,376</u>	<u>–</u>	<u>–</u>
	<u>346,878</u>	<u>357,829</u>	<u>217,456</u>	<u>213,998</u>

Note: Non-current assets exclude financial assets.

Revenue from major customers:

Revenue from customers individually contributed over 10% of the total revenue of the Group for both periods are as follows:

	Six months ended 30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Customer A (from Garment Business)	<u>148,419</u>	<u>154,349</u>

5. OTHER INCOME AND LOSS

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

	Six months ended 30 September	
	2024 <i>HK\$'000</i> (unaudited)	2023 <i>HK\$'000</i> (unaudited)
Interest income	724	760
Government grants	4,708	28
Sample sales income	819	818
Gain on disposal of property, plant and equipment	–	1
Sundry income	3,644	415
Fair value gain on promissory note due to non-controlling interests	16,403	14,521
Gain/(loss) on exchange difference, net	3,433	(1,373)
	<u>29,731</u>	<u>15,170</u>

6. INCOME TAX EXPENSE

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

	Six months ended 30 September	
	2024 <i>HK\$'000</i> (unaudited)	2023 <i>HK\$'000</i> (unaudited)
Current tax:		
Hong Kong Profits Tax		
Charge for the period	3,213	2,232
PRC Enterprise Income Tax		
Charge for the period	16	2
Overprovision in respect of prior year	(191)	(3)
Japan Corporate Income Tax		
Charge for the period	168	–
Overprovision in respect of prior year	(183)	(1,302)
	<u>3,023</u>	<u>929</u>
Deferred tax credit	<u>(787)</u>	<u>(429)</u>
Total income tax expense	<u>2,236</u>	<u>500</u>

6. INCOME TAX EXPENSE (continued)

Under the two-tiered profits tax regime, the first HK\$2 million of assessable profits of the qualifying group entity will be taxed at 8.25% and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates 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.

7. DIVIDEND

No dividends were paid, declared or proposed during both interim periods.

The Board does not recommend any payment of interim dividend in respect of the current interim period.

8. PROFIT/(LOSS) BEFORE TAXATION

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit/(loss) before taxation is arrived at after charging:		
Staff costs (including Directors' remuneration):		
Salaries, wages and other benefits	25,320	26,802
Contributions to retirement benefit scheme	1,227	802
	<u>26,547</u>	<u>27,604</u>
Depreciation of property, plant and equipment	1,078	487
Depreciation of right-of-use assets	1,048	1,528
Amortisation of intangible assets	4,771	3,204
Write-down of inventories (included in costs of sales)	<u>1,304</u>	<u>1,970</u>

9. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earning/(loss) per share is based on the following:

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earning/(Loss):		
Earning/(loss) for the period attributable to owners of the Company for the purpose of basic earning/(loss) per share	<u>14,684</u>	<u>(5,235)</u>
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earning/(loss) per share	<u><u>519,632</u></u>	<u><u>500,000</u></u>

No diluted earning/(loss) per share has been presented for the six months ended 30 September 2024 and 2023 as there were no potential dilutive ordinary shares outstanding during the respective periods.

10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2024 <i>HK\$'000</i> (unaudited)	As at 31 March 2024 <i>HK\$'000</i> (audited)
Trade debtors, net of loss allowance	92,334	46,835
Bills receivable	2,902	947
Deposits and other receivables	12,161	16,948
Prepayments	25,355	6,908
	<u>132,752</u>	<u>71,638</u>

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.

The following is an ageing analysis of trade debtors presented based on the invoice date at the end of the reporting periods:

	As at 30 September 2024 <i>HK\$'000</i> (unaudited)	As at 31 March 2024 <i>HK\$'000</i> (audited)
1 – 30 days	52,658	21,858
31 – 60 days	15,553	5,749
61 – 90 days	11,022	7,254
Over 90 days	13,101	11,974
	<u>92,334</u>	<u>46,835</u>

11. TRADE AND OTHER PAYABLES

	As at 30 September 2024 <i>HK\$'000</i> (unaudited)	As at 31 March 2024 <i>HK\$'000</i> (audited)
Trade payables	63,112	32,880
Accrued staff costs	2,776	1,163
Accrued expenses	21,629	9,020
Other payables	<u>20,937</u>	<u>9,021</u>
	<u>108,454</u>	<u>52,084</u>

An ageing analysis of the trade payables presented based on the invoice dates as follow:

	As at 30 September 2024 <i>HK\$'000</i> (unaudited)	As at 31 March 2024 <i>HK\$'000</i> (audited)
1 – 30 days	23,955	17,957
31 – 60 days	12,908	10,619
61 – 90 days	8,113	1,190
Over 90 days	<u>18,136</u>	<u>3,114</u>
	<u>63,112</u>	<u>32,880</u>

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 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.

Under the healthcare segment, the Group is principally engaged in Healthcare Products Business, IRO with CRO services and In-house R&D Business. From which, the Group has engaged in (i) the sales of Japanese health food to the PRC market via an extensive distribution network; (ii) provision of laboratory supply; (iii) provision of one stop solution to academia, biotech-ventures and pharmaceutical companies in Japan and the PRC in drug development support businesses; (iv) providing project management, clinical operations, data science, consulting for medical safety and regulatory science in the PRC in clinical trial services; (v) exploring the potential for anti-obesity and anti-diabetes therapies using the brown adipocytes induction technology in regenerative medicine and in the screening of substances that may increase energy consumption; (vi) creating a new treatment option for Lower Extremity Artery Diseases (LEAD) which has been already under collaborative project with a major university in Japan during the Reporting Period; and (vii) pursuing the possibility of sublingual immunisation, focusing on the importance of secretory IgA, which is considered to play a protective role against allergens associated with allergic diseases as well as new coronaviruses.

BUSINESS REVIEW

Garment Business

During the Reporting Period, the Group recorded revenue of approximately HK\$245.0 million in this segment, representing a decrease of approximately 10.9% as compared to approximately HK\$275.0 million for the six months ended 30 September 2023. The Group's gross profit for the Reporting Period in this segment amounted to approximately HK\$28.4 million (for the six months ended 30 September 2023: approximately HK\$42.1 million). The decrease in gross profit of the Group in this segment was primarily attributable to the decrease in the overall sales volume of the major customers headquartered in the USA and Japan.

During the period under review, despite consecutive improvements in certain macroeconomic indicators, consumer confidence remained fragile due to complex geopolitical environment. Our sales teams would continue to expand our client bases and to explore into more manufacturing sources and products development. Hopefully by doing so we could maintain our garment business with a profitable margin.

Healthcare Products Business (HCP Business)

During the Reporting Period, the Group engaged in (i) the export/distribution of Japanese health food to the PRC market via established channels; and (ii) the provision of laboratory supply to ensure the smooth running of mainly nonclinical laboratory studies.

The Group recorded revenue of approximately HK\$73.4 million for the Reporting Period in this segment, representing an increase of approximately 12.8% as compared to approximately HK\$65.1 million for the six months ended 30 September 2023. The Group's gross profit for the Reporting Period in this segment amounted to approximately HK\$15.5 million (for the six months ended 30 September 2023: approximately HK\$13.6 million). The increase in revenue and gross profit mainly arose as the financial results of the provision of Japanese health food business were only consolidated into the Group's financial statements since June 2023 after completion of the acquisition of 65% shares in a subsidiary, hence the revenue and gross profit for the six months ended 30 September 2023 only reflected the results of such business for four months instead of the full interim period.

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

The segment is named “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. Such 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 its business function, the Group also provides CRO Services which are principally clinical trial services providing project management, clinical operations, data science, consulting for medical safety and regulatory science in the PRC.

The IRO Business is 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

During the Reporting Period, the Group has been focusing and making steady progress on the initiatives of (i) exploring the potential for combating 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 is considered to have influenced defense against allergic diseases as well as against new coronaviruses; and (iv) developing medical devices specialized in iBTA technology.

The progress of each of the above initiatives is as follows: (i) preparing for clinical research; (ii) conducting investigator initiated clinical trials; (iii) publishing research results/findings on some articles in each research as needed; and (iv) conducting investigator-initiated clinical trials.

The Group recorded a revenue of approximately HK\$28.5 million for the Reporting Period in this segment, representing an increase of approximately 60.1% as compared to approximately HK\$17.8 million for the six months ended 30 September 2023. The Group's gross profit for the Reporting Period in this segment amounted to approximately HK\$5.6 million (for the six months ended 30 September 2023: loss of approximately HK\$6.9 million). The increase in revenue and gross profit primarily attributes to the increase in orders from local clients in the competitive Japan-PRC specialised CRO business.

Performance Review

The Group's total comprehensive income attributable to owners of the Company was approximately HK\$10.5 million for the Reporting Period (for the six months ended 30 September 2023, the total comprehensive expense attributable to owners of the Company was approximately HK\$6.1 million). The increase of the total comprehensive income attributable to owners of the Company is mainly attributable to (i) the fair value gain on promissory note due to non-controlling interests; (ii) the increase in gross profits from healthcare products business, IRO with CRO and In-house R&D Business; and (iii) the decrease in administrative expenses and research and development expenses of the Group during the Reporting Period.

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 Period, the Group's revenue was mainly derived from the sales of womenswear products, which accounted for approximately 86.9% (for the six months ended 30 September 2023: approximately 69.0%) of the Group's total revenue for the Reporting Period. The following table sets out a breakdown of the Group's revenue by product category for each of the two interim periods:

	Six months ended 30 September				Rate of Change
	2024		2023		
	<i>HK'000</i>	%	<i>HK'000</i>	%	%
Womenswear	212,842	86.9	189,852	69.0	12.1
Menswear	27,823	11.4	78,885	28.7	(64.7)
Kidswear	4,316	1.7	6,227	2.3	(30.7)
Total	<u>244,981</u>	<u>100.0</u>	<u>274,964</u>	<u>100.0</u>	<u>(10.9)</u>

During the Reporting Period, the sales volume of the Group amounted to approximately 2.9 million pieces (for the six months ended 30 September 2023: approximately 3.3 million pieces) of finished knitwear products. Set out below are the total sales quantity of each product category for each of the two interim periods:

	Six months ended 30 September				Rate of Change
	2024		2023		
	<i>Pieces '000</i>	%	<i>Pieces '000</i>	%	%
Womenswear	2,562	88.1	2,190	66.0	17.0
Menswear	266	9.1	1,015	30.6	(73.8)
Kidswear	81	2.8	113	3.4	(28.3)
Total	<u>2,909</u>	<u>100.0</u>	<u>3,318</u>	<u>100.0</u>	<u>(12.3)</u>

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 interim periods:

	Six months ended 30 September		Rate of Change %
	2024	2023	
	Average selling price ^(Note) HK\$	Average selling price ^(Note) HK\$	
Womenswear	83.1	86.7	(4.2)
Menswear	104.6	77.7	34.6
Kidswear	53.3	55.1	(3.3)
Overall average selling price per piece	<u>84.2</u>	<u>82.9</u>	<u>1.6</u>

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 from the garment segment decreased by approximately 10.9%, or approximately HK\$30.0 million, from approximately HK\$275.0 million for the six months ended 30 September 2023 to approximately HK\$245.0 million for the Reporting Period. The decrease in revenue was primarily attributable to the decrease in purchase orders of the Group from the major customers headquartered in the USA and Japan.

Womenswear

During the Reporting Period, 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\$22.9 million or 12.1%, from approximately HK\$189.9 million for the six months ended 30 September 2023 to approximately HK\$212.8 million for the Reporting Period. Such increase was mainly attributable to the increase in sales quantity from approximately 2.2 million pieces for the six months ended 30 September 2023 to approximately 2.6 million pieces for the Reporting Period, which outweighed the decrease in average selling price per piece of womenswear products from approximately HK\$86.7 for the six months ended 30 September 2023 to approximately HK\$83.1 for the Reporting Period.

Menswear

The Group's revenue derived from the sales of menswear products decreased by approximately HK\$51.1 million or 64.7% from approximately HK\$78.9 million for the six months ended 30 September 2023 to approximately HK\$27.8 million for the Reporting Period. Such decrease was mainly attributable to the decrease in sales quantity from approximately 1.0 million pieces for the six months ended 30 September 2023 to approximately 0.3 million pieces for the Reporting Period, which outweighed the increase in average selling price per piece of menswear products from approximately HK\$77.7 for the six months ended 30 September 2023 to approximately HK\$104.6 for the Reporting Period.

Kidswear

Revenue derived from the sales of kidswear products of the Group decreased by approximately HK\$1.9 million or 30.7% to approximately HK\$4.3 million for the Reporting Period from approximately HK\$6.2 million for the six months ended 30 September 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, coupled with the decrease in the average selling price per piece of the kidswear products from approximately HK\$55.1 for the six months ended 30 September 2023 to approximately HK\$53.3 for the Reporting Period.

Revenue from Healthcare Products Business

Revenue derived from the Healthcare Products Business of the Group increased by approximately HK\$8.3 million or 12.8% to approximately HK\$73.4 million for the Reporting Period from approximately HK\$65.1 million for the six months ended 30 September 2023. The increase in revenue mainly arose as the financial results of the provision of Japanese health food business were only consolidated into the Group's financial statements since June 2023 after completion of the acquisition of 65% shares in a subsidiary, hence the revenue for the six months ended 30 September 2023 only reflected the results of such business for four months instead of the full interim period.

	Revenue		Rate of Change %
	Six months ended 30 September		
	2024 <i>HK'000</i>	2023 <i>HK'000</i>	
Sale of Japanese food products	51,700	42,201	22.5%
Provision of laboratory supply	16,617	22,859	(27.3%)
Provision of leasing of medical devices services	5,091	—	100%
	<u>73,408</u>	<u>65,060</u>	<u>12.8%</u>

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

Revenue derived from the IRO with CRO and In-house R&D Business of the Group increased by approximately HK\$10.7 million or 60.1% to approximately HK\$28.5 million for the Reporting Period from approximately HK\$17.8 million for the six months ended 30 September 2023. The increase in revenue primarily attributes to the increase in orders from local clients.

	Revenue		Rate of Change %
	Six months ended 30 September		
	2024 <i>HK'000</i>	2023 <i>HK'000</i>	
IRO with CRO	21,557	13,376	61.2%
In-house R&D	<u>6,932</u>	<u>4,429</u>	<u>56.5%</u>
	<u>28,489</u>	<u>17,805</u>	<u>60.1%</u>

Gross profit and gross profit margins

Garment Business

The Group's gross profit decreased to approximately HK\$28.4 million for the Reporting Period as compared to approximately HK\$42.1 million for the six months ended 30 September 2023, representing a decrease of approximately 32.5%. The Group's gross profit margin decreased to approximately 11.6% for the Reporting Period from approximately 15.3% for the six months ended 30 September 2023. Such decrease in the Group's gross profit margin was mainly attributable to the decrease in average selling price of womenswear.

Healthcare Products Business

The Group's gross profit increased to approximately HK\$15.5 million for the Reporting Period from approximately HK\$13.6 million for the six months ended 30 September 2023, representing an increase of approximately 14.0%. The increase in gross profit mainly arose as the financial results of the provision of Japanese health food business were only consolidated into the Group's financial statements since June 2023 after completion of the acquisition of 65% shares in a subsidiary, hence the gross profit for the six months ended 30 September 2023 only reflected the results of such business for four months instead of the full interim period.

IRO with CRO and In-house R&D Business

The Group's gross profit increased to approximately HK\$5.6 million for the Reporting Period from gross loss of approximately HK\$6.9 million for the six months ended 30 September 2023, representing an increase of approximately 181.2%. The increase in gross profit primarily attributes to the increase in orders from local clients in the competitive Japan-PRC specialised CRO business.

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\$14.5 million for the Reporting Period to gain of approximately HK\$29.7 million from gain of approximately HK\$15.2 million for the six months ended 30 September 2023. The increase in other income, gains and losses of the Group was primarily attributable to (i) the approximately HK\$2 million additional fair value gain on the promissory note when compared to 30 September 2023; (ii) government grants of approximately HK\$4.8 million; and (iii) gain on exchange differences of approximately HK\$3.4 million.

Research and development expenses

Other expenses mainly consist of research and development cost and related administrative expenses in the In-House R&D Business. Such expenses have decreased to approximately HK\$7.4 million for the Reporting Period from approximately HK\$11.4 million for the six months ended 30 September 2023, representing a decrease of approximately 35.1%. Such decrease was mainly attributable to the the initial costs incurred in launching in-house clinical trials during the six months ended 30 September 2023 and the stabilization of the business during the six months ended 30 September 2024.

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 decreased to approximately HK\$20.2 million for the Reporting Period from approximately HK\$25.5 million for the six months ended 30 September 2023, representing a decrease of approximately 20.8%. Such decrease was mainly attributable to the overall decrease in the selling expenses of 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\$27.6 million for the Reporting Period from approximately HK\$32.1 million for the six months ended 30 September 2023, representing a decrease of approximately 14.0%. Such decrease was mainly attributable to the decrease in staff costs and benefits and the legal and professional fees during the Reporting Period.

Finance costs

Finance costs increased to approximately HK\$4.7 million for the Reporting Period from approximately HK\$3.2 for the six months ended 30 September 2023. Finance costs was mainly attributable to the factoring cost arisen from the Garment Business.

Total comprehensive income/expense attributable to owners of the Company

Total comprehensive income attributable to owners of the Company amounted to approximately HK\$10.5 million for the Reporting Period compared with the total comprehensive expense attributable to owners of the company of approximately HK\$6.1 million for the six months ended 30 September 2023, representing an increase of approximately HK\$16.6 million. The turnaround from the total comprehensive expense to income attributable to owners of the Company was mainly attributable to (i) the increase in gross profits from healthcare products business, IRO with CRO and In-house R&D Business; and (ii) the decrease in administrative expenses and research and development expenses of the Group during the Reporting Period.

BASIC EARNINGS/(LOSS) PER SHARE

The Company's basic earnings per share for the Reporting Period was approximately 2.83 HK cents, as compared to the basic loss per share of approximately 1.05 HK cents for the six months ended 30 September 2023.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Reporting Period (six months ended 30 September 2023: Nil).

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.

On 22 April 2024, a total of 22,177,419 subscription shares were allotted and issued to two subscribers (the "**Subscription**") at the subscription price of HK\$0.992 per subscription share.

As at 30 September 2024 and 31 March 2024, the Group had net current assets of approximately HK\$74.7 million and HK\$6.9 million, respectively, including bank and cash balances of approximately HK\$91.3 million and HK\$115.5 million, respectively. The Group's current ratio increased from approximately 1.0 as at 31 March 2024 to approximately 1.4 as at 30 September 2024. Such increase was mainly due to the increase in current assets by approximately 19.8% whilst current liabilities decreased by approximately 12.6% as compared to the balances as at 31 March 2024. The increase in current assets was mainly attributable to the Subscription.

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 2024 and 31 March 2024, the Group's gearing ratio was 0.06 and 0.08, respectively. The Group entered into two banking facility agreements with the amount in aggregate of up to approximately HK\$12.1 million as at 30 September 2024 (at 31 March 2024: HK\$19.8 million). The Group's rate of unutilised banking facilities was 100% as at 30 September 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, if necessary.

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 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 2024, the Company has an issued share capital of HK\$5.2 million divided into 522,177,419 shares of HK\$0.01 each.

SIGNIFICANT INVESTMENT

As at 30 September 2024 and 31 March 2024, 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, ASSOCIATES OR JOINT VENTURES

During the Reporting Period, there was no material acquisition or disposal of subsidiaries, associates or joint venture by the Group.

PLEDGE OF ASSETS

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

	30 September 2024 <i>HK'000</i>	31 March 2024 <i>HK'000</i>
Pledged bank deposit	<u>4,000</u>	<u>9,000</u>

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2024 (31 March 2024: Nil).

CAPITAL COMMITMENTS

As at 30 September 2024 and 31 March 2024, the Group had no material capital commitment in respect of leasehold improvement, furniture and fixtures.

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 is 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2024, the Group employed a total of 139 full-time employees (as at 30 September 2023: 132). The Group's staff costs included Directors' emoluments, salaries, other staff benefits and contributions to retirement schemes. For the six month periods ended 30 September 2024 and 2023, the Group's total staff costs (including Directors' emoluments) amounted to approximately HK\$26.5 million and HK\$27.6 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.

FUTURE PROSPECTS

Looking forward, it is expected that the monetary policy of the Federal Reserve Banks will continue to seek a balance between inflation and economic growth, and an interest rate cut is continuously proceeded in the future, which may probably enhance consumer sentiment.

In view of this continuing dynamic situation, our management will continue to assess the impact of the global economic backdrop on the Group's financial performance and business operations, and closely monitor the Group's exposure to the market uncertainties and business risks in connection therewith. In order to minimize the risks and to provide sustainable growth for the Group, the management of the Group will continue to implement stringent cost control measures, including reducing manufacturing costs, distribution costs and administrative expenses, and achieving greater synergies on overall administrative efficiency by sharing internal resources.

We will focus on deepening our understanding of customer preferences, identifying emerging trends, and designing products that drive sustainable growth in the long term and meet customers' preferences. We are offering products with competitive price points to cater to consumers' changing spending patterns.

Regarding the IRO with CRO services segment, we have disposed of the EPS Medical Consultancy (Japan) Co., Ltd. (the “**Target Company**”), which is principally engaged in the business of provision of IRO services in Japan, to the holding company of Group. Over the past years, the Board had been extensively reviewing and assessing the current business operations of the Group with the view to adjusting its business strategies in order to adapt to the challenging business environment. Having made prudent assessments on the above and considering the required time up to being a certain profitable business and business synergy with other businesses in the Group, it was considered that the disposal represents a good opportunity to divert its investment to other business segments of the Group. The business of provision of IRO services in the PRC has maintained its focus in the Chinese market because there is an increasing demand from Chinese biotech companies to enter the Japanese market, and we will be expanding our support functions for these companies.

Regarding the healthcare segment, we expect that the demand for healthcare products in the PRC will increase from this year onwards, so we will make a concentrated effort to achieve better results. In addition, we are also working on a new sales structure with a new business model and are making plans to maximize profits. The Group is 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 from developing and manufacturing to distributing in the healthcare industry in the PRC and Japan as a business development partner.

OTHER INFORMATION

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 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 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. Shimada Tatsuji was the chairman of the Board and the chief executive officer of the Company. The Directors considered that vesting the roles of the chairman of the Board and the chief executive officer of the Company in Mr. Shimada Tatsuji 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 C3 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 (including the sale of treasury shares). As at 30 September 2024, there were no treasury shares (as defined under the Listing Rules) held by the Company.

EVENT AFTER THE REPORTING PERIOD

On 2 October 2024, the Group entered into the share transfer agreement with EPS Holdings Inc. (the "**Purchaser**"), which is a controlling shareholder (as defined under the Listing Rules) of the Company, pursuant to which the Group agreed to sell and the Purchaser agreed to acquire the entire issued share capital of the Target Company, an indirect wholly-owned subsidiary of the Company immediately before completion, at a consideration of JPY1.00. Completion of the disposal has taken place upon signing of the share transfer agreement and the Target Company has ceased to be a subsidiary of the Company. For details, please refer to the announcements of the Company dated 2 October 2024 and 8 October 2024.

Save as disclosed above, there is no significant event subsequent to 30 September 2024 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. Kusaba Takuya, a non-executive Director. The Audit Committee has reviewed 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 2024

As at the date of this announcement, the executive Directors are Mr. Washikita Kenichiro, 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.