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# **EPS Creative Health Technology Group Limited**

(Incorporated in the Cayman Islands with limited liability)

(HKEX Stock code: 3860)

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

### **FINANCIAL HIGHLIGHTS**

- Revenue of approximately HK\$245.8 million was recorded for the six months ended 30 September 2021;
- Loss after taxation for the Reporting Period amounted to approximately HK\$5.6 million;
- Basic loss per share for the Reporting Period based on weighted average number of 500,000,000 ordinary shares of the Company was approximately 1.1 HK cents; and
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021.

## 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 2021 (the “**Reporting Period**”) together with comparative unaudited figures for the corresponding period in 2020 as follows:

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

*For the six months ended 30 September 2021*

		Six months ended	
		30 September	
		2021	2020
		HK\$'000	HK\$'000
	Notes	(unaudited)	(unaudited)
Revenue	4	245,768	206,332
Cost of sales		<u>(215,168)</u>	<u>(179,487)</u>
Gross profit		30,600	26,845
Interest income		13	170
Other income	6	59	1,049
Selling and distribution expenses		(16,059)	(13,074)
Administrative expenses		(11,990)	(9,945)
Research expenses for new drug development		(5,373)	–
Professional fees in relation to the unconditional mandatory cash offer		(1,439)	–
Finance costs		<u>(258)</u>	<u>(68)</u>
(Loss)/Profit before taxation		(4,447)	4,977
Income tax expense	7	<u>(1,147)</u>	<u>(530)</u>
(Loss)/Profit for the period	9	<u><u>(5,594)</u></u>	<u><u>4,447</u></u>

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2021</b>	2020
		<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>Notes</i>	<b>(unaudited)</b>	(unaudited)
<b>Other comprehensive income</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>93</u>	<u>24</u>
<b>Other comprehensive income for the period, net of tax</b>		<u>93</u>	<u>24</u>
<b>Total comprehensive (loss) income for the period</b>		<u><u>(5,501)</u></u>	<u><u>4,471</u></u>
<b>(Loss) profit for the period attributable to:</b>			
Owners of the Company		(5,425)	4,447
Non-controlling interests		<u>(169)</u>	<u>–</u>
		<u><u>(5,594)</u></u>	<u><u>4,447</u></u>
<b>Total comprehensive (loss) income attributable to:</b>			
Owners of the Company		(5,337)	4,471
Non-controlling interests		<u>(164)</u>	<u>–</u>
		<u><u>(5,501)</u></u>	<u><u>4,471</u></u>
<b>(Loss) earnings per share attributable to ordinary equity holders of the Company</b>			
		<i>HK cents</i>	<i>HK cent</i>
Basic (loss) earnings per share for the period attributable to owners of the Company	<i>10</i>	<u><u>(1.1)</u></u>	<u><u>0.9</u></u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

		30 September 2021 <i>HK\$'000</i> (unaudited)	31 March 2021 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		1,929	2,386
Right-of-use assets		<u>688</u>	<u>1,826</u>
		<u>2,617</u>	<u>4,212</u>
<b>Current assets</b>			
Inventories		22,338	5,957
Trade and bills receivables	11	93,982	38,536
Prepayments, deposits and other receivables		12,291	5,833
Tax recoverable		3,456	3,257
Pledged bank deposit		8,137	8,137
Bank and cash balances		<u>184,109</u>	<u>85,235</u>
		<u>324,313</u>	<u>146,955</u>
<b>Current liabilities</b>			
Trade and other payables	12	96,350	15,496
Tax payable		3	–
Amount due to a related company		56,666	–
Bank borrowings		–	508
Lease liabilities and finance lease payable		<u>720</u>	<u>1,888</u>
		<u>153,739</u>	<u>17,892</u>
<b>Net current assets</b>		<u>170,574</u>	<u>129,063</u>
<b>Total assets less current liabilities</b>		<u>173,191</u>	<u>133,275</u>
<b>Non-current liabilities</b>			
Deferred tax liability		178	130
Amount due to a related company		<u>43,334</u>	<u>–</u>
		<u>43,512</u>	<u>130</u>

	<b>30 September 2021</b>	31 March 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Notes</i>	<b>(unaudited)</b>	(audited)
<b>NET ASSETS</b>	<b><u>129,679</u></b>	<b><u>133,145</u></b>
<b>EQUITY</b>		
Equity attributable to the owners of the Company		
Share capital	5,000	5,000
Reserves	<u>122,795</u>	<u>128,145</u>
	<b>127,795</b>	133,145
Non-controlling interests	<u>1,884</u>	–
<b>TOTAL EQUITY</b>	<b><u>129,679</u></b>	<b><u>133,145</u></b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2021*

## 1. GENERAL INFORMATION

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

After the approval of the proposed change of name of the Company by its shareholders (the “**Shareholders**”) by way of special resolution at the extraordinary general meeting of the Company held on 2 July 2021, the Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on 9 July 2021, certifying the change in the English name of the Company from “Speed Apparel Holding Limited” to “EPS Creative Health Technology Group Limited” and the dual foreign name of the Company from “尚捷集團控股有限公司” to “EPS創健科技集團有限公司” with effect from 9 July 2021. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 6 August 2021 confirming the registration of the new name of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The Company acts as an investment holding company. The Group is principally engaged in provision of apparel supply chain management services selling knitwear apparel products to its customers and development of new drugs services. The ultimate holding company of the Company is EPS Holdings, Inc. (“**EPS HD**”), a company incorporated in Japan with limited liability, the issued shares of which were listed on the Tokyo Stock Exchange until its subsequent privatisation on 17 September, 2021. As at the date of this announcement, EPS HD is wholly-owned by Shinyou Corporation, a company incorporated in Japan which is wholly-owned by Shinyou KK, another company incorporated in Japan in which Mr. Yan Hao holds a 73.45% controlling interest.

The condensed consolidated financial statements for the six months ended 30 September 2021 are presented in Hong Kong dollars (“**HK\$**”), which is different from the functional currency of the Company of United States dollars (“**US\$**”). The Directors consider that choosing HK\$ as the presentation currency best suits the needs of the Shareholders and the investors of the Company.

## 2. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules (The “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (The “**Stock Exchange**”), including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 29 November, 2021.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

### 3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendment to HKFRS 16, Covid-19-related rent concessions beyond 30 June 2021
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – phase 2

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 4. REVENUE

The Group's revenue streams are categorised as follows:

- Apparel supply chain management services selling knitwear apparel products to its customers; and
- Development of new drugs services.

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Apparel supply chain management services	<b>245,768</b>	206,332
Development of new drugs services	—	—
	<b><u>245,768</u></b>	<b><u>206,332</u></b>

## 5. SEGMENT INFORMATION

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

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

– Apparel supply chain management services

– Development of new drugs services

### Segment revenues and results

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

For the six months ended 30 September 2021

	<b>Apparel supply chain management services HK\$'000 (Unaudited)</b>	<b>Development of new drugs services HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
Segment Revenue	<u>245,768</u>	<u>–</u>	<u>245,768</u>
Segment Results	<u>7,154</u>	<u>(6,822)</u>	332
Unallocated amounts:			
Interest income			13
Other income			59
Central administrative expenses			(3,154)
Professional fee in relation to unconditional mandatory cash offer			(1,439)
Finance costs			<u>(258)</u>
Loss before tax			(4,447)
Income tax expenses			<u>(1,147)</u>
Loss for the period			<u>(5,594)</u>



For the six months ended 30 September 2020

	Apparel supply chain management services <i>HK\$'000</i> (Unaudited)	Development of new drugs services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment Revenue	<u>206,332</u>	<u>–</u>	<u>206,332</u>
Segment Results	<u>4,734</u>	<u>–</u>	4,734
Unallocated amounts:			
Interest income			170
Other income			1,049
Central administrative expenses			(908)
Finance costs			<u>(68)</u>
Profit before tax			4,977
Income tax expenses			<u>(530)</u>
Profit for the period			<u>4,447</u>

## Geographical Information

### Information on major customers

The followings are analysis of the revenues from customers from the apparel supply chain management services by geographical markets of customers and products categories respectively:

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
Geographical markets	(unaudited)	(unaudited)
Japan	100,230	102,020
The United States of America	88,970	64,884
Europe	34,906	29,899
Hong Kong	15,335	7,567
Others (Note)	6,327	1,962
	<u>245,768</u>	<u>206,332</u>
Total revenue	<u>245,768</u>	<u>206,332</u>

Note: Others comprise the People's Republic of China (the "PRC") (which, for the purpose of geographical reference in this announcement, excludes Hong Kong), Dubai, Mexico and Thailand.

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
Major products	(unaudited)	(unaudited)
Womenswear	158,242	137,548
Menswear	52,051	45,053
Kidswear	35,475	20,287
Others <sup>(1)</sup>	–	3,444
	<u>245,768</u>	<u>206,332</u>
Total revenue	<u>245,768</u>	<u>206,332</u>

<sup>(1)</sup> Others include knitted facial masks and hats.

### *Timing of revenue recognition*

For the six months ended 30 September 2021 and 2020, all revenues were recognised at a point in time, respectively.

### *Sales of garments*

The Group sells garments to its customers. Sales are recognised when control of the products has transferred, i.e., when the products are delivered to a customer, there was no unfulfilled obligation that could affect customer's acceptance of the products and customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 to 90 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability. A receivable is recognised when the products are delivered to customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

## **6. OTHER INCOME**

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Government grants	–	1,431
Sample sales income	<b>635</b>	293
Loss on disposal of fixed assets	<b>(4)</b>	–
(Loss) on exchange difference, net	<b>(572)</b>	<b>(675)</b>
Total other income	<b>59</b>	<b>1,049</b>

## 7. INCOME TAX EXPENSE

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Hong Kong Profits Tax		
Current period	<u>1,096</u>	<u>549</u>
PRC Enterprise Income Tax ("EIT")		
Current period	–	33
Overprovision in prior year	<u>–</u>	<u>(30)</u>
	<u>–</u>	<u>3</u>
Japan Residency Tax		
Current period	<u>3</u>	<u>–</u>
Deferred tax debit (credit)	<u>48</u>	<u>(22)</u>
Total income tax expense	<u><u>1,147</u></u>	<u><u>530</u></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit of a subsidiary established in the PRC, as determined in accordance with the relevant EIT law, implementation rules and notices in the PRC.

The subsidiaries of the Company in Japan are subject to national corporate tax, local corporate tax, enterprise tax, local corporate special tax and local corporate inhabitants tax in Japan, which, in aggregate, resulted in effective statutory income tax rates of approximately 21.36% for the Reporting Period and approximately 21.36% for the six months ended 30 September 2020, respectively. No provision for Japan corporate income tax has been made for the six months ended 30 September 2021 and 2020. During the Reporting Period, the Group has set up two new subsidiaries in Japan. They are subject to Japan residency tax for a fixed sum of 180,000 Japanese Yen per year.

## 8. DIVIDEND

The Board does not recommend any payment of dividend for the Reporting Period (for the six months ended 30 September 2020: Nil).

No dividends were approved and paid during the Reporting Period (for the six months ended 30 September 2020: Nil).

## 9. (LOSS)/PROFIT FOR THE PERIOD

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
(Loss)/Profit for the period has been arrived at after charging:		
Staff costs (including Directors' remuneration):		
Fees	<b>260</b>	180
Salaries and other benefits	<b>11,996</b>	9,990
Retirement benefit scheme contributions	<b>533</b>	521
	<hr/>	<hr/>
Total employee benefits expenses	<b>12,789</b>	10,691
Auditor's remuneration	<b>530</b>	250
Depreciation of property, plant and equipment	<b>495</b>	480
Depreciation of right-of-use assets	<b>1,145</b>	918
Net foreign exchange losses	<b>572</b>	675
Cost of inventories recognised as cost of sales	<b>215,168</b>	179,487
Commission expenses (included in selling and distribution expenses)	<b>3,463</b>	2,597
Professional fee in relation to unconditional mandatory cash offer	<b>1,439</b>	–
Sample charges (included in selling and distribution expenses)	<b>4,010</b>	4,226

## 10. (LOSS) EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>(Loss) Earnings:</b>		
(Loss) Earnings for the period attributable to owners of the Company for the purpose of basic earnings per share	<u>(5,594)</u>	<u>4,447</u>
	<i>'000</i>	<i>'000</i>
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>500,000</u>	<u>500,000</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic (loss) earnings per share for the period attributable to owners of the Company	<u><u>(1.1)</u></u>	<u><u>0.9</u></u>

No diluted (loss) earnings per share is presented for the six months ended 30 September 2021 and 2020 as there were no potential dilutive ordinary shares outstanding during the respective periods.

## 11. TRADE AND BILLS RECEIVABLES

No allowance for bad and doubtful debt was provided for the six months ended 30 September 2021 and 2020 and no balance of provision for bad and doubtful debt had been recognised as at the end of each reporting period.

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

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

	<b>As at</b>	<b>As at</b>
	<b>30 September</b>	<b>31 March</b>
	<b>2021</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
1 – 30 days	<b>84,060</b>	17,105
31 – 60 days	<b>9,029</b>	8,489
61 – 90 days	<b>818</b>	12,893
Over 90 days	<u>75</u>	<u>49</u>
	<u><b>93,982</b></u>	<u><b>38,536</b></u>

## 12. TRADE AND OTHER PAYABLES

	As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
Trade payables	79,780	9,598
Accruals and other payables	<u>16,570</u>	<u>5,898</u>
	<u><b>96,350</b></u>	<u><b>15,496</b></u>

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

	As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
1 – 30 days	76,813	9,064
31 – 60 days	2,909	483
61 – 90 days	34	40
Over 90 days	<u>24</u>	<u>11</u>
	<u><b>79,780</b></u>	<u><b>9,598</b></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### INTRODUCTION

The Group is an apparel supply chain management services provider. Headquartered in Hong Kong, the Group principally sells knitwear products. The Group provides one-stop apparel supply chain management solutions for its customers ranging from fashion trend analysis, product design and development, sourcing and procurement of materials, production management, quality control and 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 outsource the whole manufacturing process to third-party manufacturers with manufacturing operations located in the PRC, Thailand and/or Cambodia.

During the Reporting Period, the Group has set up a joint venture (the "**Joint Venture**") which is owned as to 51% by the Group and 49% by its joint venture partner (the "**JV Partner**"). The Joint Venture will be principally engaged in a screening business in Japan and Mainland China on drugs for Parkinson's disease and brown adipose cell relating to weight loss and screening of functional food business, and business relating to the application of autologous brown adipose cell in the treatment of weight loss cells. The capital contributions of the Company and the JV Partner to the Joint Venture amounted to HK\$2,142,000 and HK\$2,058,000 respectively and were paid in cash during the Reporting Period. The Group will continue to look for business opportunities in the provision of research services including pharmaceutical and medical device development and to seek new promising investment targets. Details of the formation of the Joint Venture are set out in the composite document jointly published by the Company and EPS HD dated 26 May 2021.

### BUSINESS REVIEW

During the Reporting Period, having faced the complex and adverse trading environment and the widespread impact of COVID-19 pandemic, the retail markets for apparel including the USA and Japan where the major customers of the Group are located continue to be affected. However, the Group's products have recorded an increase in revenue for the Reporting Period, which was mainly attributable to the increase in purchase orders from a major customer headquartered in the USA and other customers based in Japan. Further, the Group plans to expand its sales office in Japan in order to better serve its existing Japanese customers and solicit potential new middle to high end fashion brands customers.



The Group recorded revenue of approximately HK\$245.8 million for the Reporting Period, representing an increase of approximately 19.1% as compared to approximately HK\$206.3 million for the six months ended 30 September 2020. The Group's gross profit for the Reporting Period amounted to approximately HK\$30.6 million (for the six months ended 30 September 2020: approximately HK\$26.8 million). The increase in gross profit of the Group was primarily attributable to the increase in the purchase orders from a major customer headquartered in the USA.

The Group's total comprehensive loss attributable to owners of the Company was approximately HK\$5.3 million for the Reporting Period (for the six months ended 30 September 2020, the total comprehensive income attributable to owners of the Company was approximately HK\$4.5 million.). The loss is mainly attributable to (i) the research expenses incurred in relation to the new drug development projects of approximately HK\$5.4 million; and (ii) the expenses incurred by the Company of approximately HK\$1.4 million in response to the unconditional mandatory cash offer as a result of the change of control of the Company disclosed in the Company's announcement dated 5 May 2021.

## FINANCIAL REVIEW

### Revenue

The Group's knitwear products are divided into four categories, namely womenswear products, menswear products, kidswear products and other products such as knitted facial masks and hats. During the Reporting Period, the Group's revenue was mainly derived from the sales of womenswear products, which accounted for approximately 64.4% (for the six months ended 30 September 2020: approximately 66.7%) of the Group's total revenue. The following table sets out a breakdown of the Group's revenue by product categories for each of the reporting periods:

	Six months ended 30 September			Percentage of change
	2021		2020	
	HK\$'000	%	HK\$'000	%
	(unaudited)		(unaudited)	
Womenswear	158,242	64.4	137,548	66.7
Menswear	52,051	21.2	45,053	21.8
Kidswear	35,475	14.4	20,287	9.8
Others	—	—	3,444	1.7
Total revenue	<u>245,768</u>	<u>100.0</u>	<u>206,332</u>	<u>100.0</u>

During the Reporting Period the sales volume of the Group amounted to approximately 3.6 million pieces (for the six months ended 30 September 2020 approximately 3.5 million pieces) of finished knitwear products. Set out below are the total sales quantity of each product category for each of the reporting periods:

	Six months ended 30 September		2020	Percentage of change
	2021			
	Pieces		Pieces	
	'000	%	'000	%
	(unaudited)		(unaudited)	
Womenswear	2,194	60.3	2,162	62.6
Menswear	840	23.1	817	23.7
Kidswear	605	16.6	361	10.5
Others	—	—	111	3.2
Total sales quantity	<u>3,639</u>	<u>100.0</u>	<u>3,451</u>	<u>100.0</u>

The selling price of each of the product categories depends primarily on, amongst 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 price per piece of finished products sold by the Group by product category for each of the reporting periods:

	Six months ended 30		Percentage of change
	September		
	2021	2020	
	Average	Average	
	selling	selling	
	price <sup>(Note)</sup>	price <sup>(Note)</sup>	
	HK\$	HK\$	%
	(unaudited)	(unaudited)	
Womenswear	72.1	63.6	13.4
Menswear	61.9	55.1	12.3
Kidswear	58.6	56.2	4.3
Others	—	31.0	(100.0)
Overall average selling price per piece	67.5	59.8	12.9

*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 increased by approximately HK\$39.4 million, or 19.1%, from approximately HK\$206.3 million for the six months ended 30 September 2020 to approximately HK\$245.7 million for the Reporting Period. The increase in revenue was primarily attributable to the increase in purchase orders from a major customer headquartered in the USA and other customers based in Japan and the increase of selling price per unit.

### **Womenswear**

During the Reporting Period, revenue derived from the sales of womenswear products increased by approximately HK\$20.7 million or 15.0%, from approximately HK\$137.5 million for the six months ended 30 September 2020 to approximately HK\$158.2 million for the Reporting Period. Such increase was mainly attributable to the slight increase in sales quantity from approximately 2,162,000 pieces for the six months ended 30 September 2020 to approximately 2,194,000 pieces for the Reporting Period, and the increase in average selling price per piece of womenswear products from approximately HK\$63.6 for the six months ended 30 September 2020 to approximately HK\$72.1 for the Reporting Period.

### **Menswear**

The Group's revenue derived from the sales of menswear products increased by approximately HK\$7.0 million or 15.5%, from approximately HK\$45.1 million for the six months ended 30 September 2020 to approximately HK\$52.1 million for the Reporting Period. Such increase was mainly attributable to the slight increase in sales quantity from approximately 817,000 pieces for the six months ended 30 September 2020 to approximately 840,000 pieces for the Reporting Period and the increase in average selling price per piece of menswear products from approximately HK\$55.1 for the six months ended 30 September 2020 to approximately HK\$61.9 for the Reporting Period.

### **Kidswear**

Revenue derived from the sales of kidswear products of the Group increased by approximately 74.9% or HK\$15.2 million to approximately HK\$35.5 million for the Reporting Period from approximately HK\$20.3 million for the six months ended 30 September 2020. The increase in the revenue of the Group's kidswear products was mainly attributable to the increase in sales volume of the Group's kidswear products from approximately 361,000 pieces for the six months ended 30 September 2020 to approximately 605,000 pieces for the Reporting Period and the slight increase in average selling price per piece of the kidswear products from approximately HK\$56.2 for the six months ended 30 September 2020 to approximately HK\$58.6 for the Reporting Period.

## **Others**

During the Reporting Period, the Group has no revenue in relation to other products including but not limited to knitted facial masks and hats (for the six months ended 30 September 2020: approximately HK\$3.4 million).

## **Cost of sales**

The Group's cost of sales primarily consists of subcontracting charges, raw materials and consumables used, inspection fees and other processing charges. The cost of sales increased to approximately HK\$215.2 million for the Reporting Period from approximately HK\$179.5 million for the six months ended 30 September 2020, representing an increase of approximately 19.9%. The increase of the Group's cost of sales was in line with the increase in the Group's revenue for the Reporting Period.

## **Gross profit and gross profit margin**

The Group's gross profit increased to approximately HK\$30.6 million for the Reporting Period from approximately HK\$26.8 million for the six months ended 30 September 2020, representing an increase of approximately 14.0%. The increase in gross profit of the Group was primarily attributable to the increase in purchase orders from a major customer headquartered in the USA.

The Group's gross profit margin slightly decreased to approximately 12.5% for the Reporting Period from approximately 13.0% for the six months ended 30 September 2020. Such decrease in the Group's gross profit margin was mainly attributable to the competitive pricing offered by the Group to its customers in Japan for the Reporting Period.

## **Interest income**

The Group's interest income decreased significantly by approximately HK\$157,000 or 92.9% from approximately HK\$170,000 for the six months ended 30 September 2020 to approximately HK\$13,000 for the Reporting Period.

## **Other income**

Other income mainly consists of government grants, sample sales income and exchange gain/loss. Other income decreased to approximately HK\$59,000 for the Reporting Period from approximately HK\$1,049,000 for the six months ended 30 September 2020. The decrease in other income of the Group was primarily attributable to the fact that there was no government grant was received in the Reporting Period (for the six months ended 30 September 2020, approximately HK\$1.4 million of non-recurring government grants were received from the Hong Kong Government under employment support scheme). Sample sales income increased to approximately HK\$635,000 for the Reporting Period from approximately HK\$293,000 for the six months ended 30 September 2020 while exchange loss decreased to approximately HK\$572,000 for the Reporting Period from approximately HK\$675,000 for the six months ended 30 September 2020.

## **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\$16.1 million for the Reporting Period from approximately HK\$13.1 million for the six months ended 30 September 2020, representing an increase of approximately 22.8%. Such decrease was mainly attributable to an increase in (i) sample costs; (ii) logistic expenses; and (iii) commission expenses, the increase in these expenses is in line with the increase of the Group's revenue.

## **Administrative expenses**

Administrative expenses primarily consist of audit fees, bank charges, depreciation, Directors' emoluments, entertainment, legal and professional fees, office expenses, overseas and local travelling, rent and rates, staff costs and benefits of general and administrative staff. Administrative expenses increased to approximately HK\$12.0 million for the Reporting Period from approximately HK\$9.9 million for the six months ended 30 September 2020, representing a decrease of approximately 20.6%. Such increase was mainly attributable to the increase in (i) staff costs and benefits of general and administrative staff; (ii) overseas and local travelling; and (iii) bank charges.

### **Research expenses for new drug development**

Research expenses for new drug development amounted to approximately HK\$5.4 million for the Reporting Period and there were no such expenses for the six months ended 30 September 2020. Such expenses were mainly attributable to development of the two new drug development projects.

### **Professional fees in relation to the unconditional mandatory cash offer**

Professional fees in relation to the unconditional mandatory cash offer made by EPS HD amounted to approximately HK\$1.4 million for the Reporting Period and there was no such expenses for the six months ended 30 September 2020.

### **Finance Costs**

Finance costs increased to approximately HK\$258,000 for the Reporting Period from approximately HK\$68,000 for the six months ended 30 September 2020. Such increase was mainly attributable to the increase in bank interest.

### **Total comprehensive (loss)/income attributable to owners of the Company**

Total comprehensive loss attributable to owners of the Company amounted to approximately HK\$5.3 million for the Reporting Period and total comprehensive income attributable to owners of the Company amounted to approximately HK\$4.5 million for the six months ended 30 September 2020.

If the non-recurring government grants received from the Hong Kong Government under employment support scheme of approximately HK\$1.4 million for the six months ended 30 September 2020 were excluded, the Group's adjusted total comprehensive income attributable to owners of the Company for the six months ended 30 September 2020 would amount to approximately HK\$3.1 million and if the professional fee in relation to the unconditional mandatory cash offer of approximately HK\$1.4 million and research expenses for new drug development projects amounted to approximately HK\$5.4 million for the Reporting Period were excluded, the Group's adjusted total comprehensive income attributable to owners of the Company for the Reporting Period would amount to approximately HK\$1.5 million, which have been decreased significantly by approximately 51.6% as compared to the total comprehensive income attributable to owners of the Company for the six months ended 30 September 2020 of approximately HK\$4.5 million.

## **BASIC LOSS EARNINGS PER SHARE**

The Company's basic loss per share for the Reporting Period was approximately 1.1 HK cents, as compared to the basic earnings per share of approximately 0.9 HK cent for the six months ended 30 September 2020. The significant change in the Company's basic loss per share for the Reporting Period was in line with the loss attributable to owners of the Company for the Reporting Period.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the Reporting Period (for the six months ended 30 September 2020: 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.

As at 30 September 2021 and 31 March 2021, the Group had net current assets of approximately HK\$170.6 million and HK\$129.1 million, respectively, including bank and cash balances of approximately HK\$184.1 million and HK\$85.2 million, respectively. The Group's current ratio decreased from approximately 8.2 as at 31 March 2021 to approximately 2.1 as at 30 September 2021. Such decrease was mainly due to the increase in current assets by approximately 120.7% whilst current liabilities significantly increased by approximately 759.3% as compared to the balances as at 31 March 2021. The significant increase in current liabilities were mainly attributable to the increase in trade and other payables and bank borrowings.

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 2021 and 31 March 2021, the Group's gearing ratio was 0.6% and 1.8%, respectively. The Group had entered into two banking facilities agreements with the aggregate amount of approximately HK\$45.5 million. One of the banking facilities has charged over by a fixed bank deposit. The unutilised rates of banking facilities were 100.0% and 98.9% as at 30 September 2021 and 31 March 2021, respectively.

## **TREASURY POLICIES**

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

## **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 ordinary shares.

As at 30 September 2021, the Company has an issued share capital of HK\$5.0 million divided by 500,000,000 shares of HK\$0.01 each.

## **SIGNIFICANT INVESTMENT**

As at 30 September 2021 and 31 March 2021, 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 announcement, the Group currently has no other plan for material investments and capital assets.

## **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATES OR JOINT VENTURES**

During the Reporting Period, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.



## PLEDGE OF ASSETS

The following assets were pledged to banks to secure certain banking facilities granted to the Group:

	<b>As at 30 September 2021 <i>HK\$'000</i> (unaudited)</b>	As at 31 March 2021 <i>HK\$'000</i> (audited)
Pledged bank deposit	<b><u>8,137</u></b>	<b><u>8,137</u></b>

## CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group did not have any material contingent liabilities and capital commitments as at 30 September 2021 (as at 31 March 2021: Nil).

## FOREIGN EXCHANGE EXPOSURE

Certain trade and bills receivables, other receivables, pledged bank deposit, bank and cash balances, and trade and other payables are denominated in foreign currency of the respective group entities which are exposed to foreign currency risk. Although the Group's revenue and major expenses are predominantly in US\$, which is the functional currency of the Company, as HK\$ is pegged to US\$, the Group does not expect any significant movement in the US\$/HK\$ exchange rate. 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 should the need arise.

## CHANGE OF BOARD COMPOSITION

Following the completion of the unconditional mandatory cash offer made by EPS HD, as disclosed in the announcement of the Company dated 30 June 2021, (i) each of Mr. Chan Wing Kai and Mr. Ng Ming Ho tendered his resignation as executive Director; (ii) each of Ms. Chan Siu Lai, Mr. Kwok Chi Shing and Mr. Ma Kwok Fai, Edwin tendered his/her resignation as independent non-executive Director; (iii) Ms. Wu Yu Lim Winnie tendered her resignation as the company secretary; (iv) Mr. Taguchi Junichi, Mr. Choi Koon Ming and Mr. Cheung Kwok Yu were appointed as independent non-executive Directors; and (v) Mr. Chiu Chun Tak was appointed as the company secretary, all with effect from 30 June 2021. On 9 July 2021, Mr. Cheung Kwok Yu tendered his resignation and Mr. Chan Cheuk Ho was appointed in his place as independent non-executive Director with effect from the same date. For further details, please refer to the announcements of the Company dated 30 June 2021 and 9 July 2021.

## **CHANGE OF COMPANY NAME**

As disclosed in the announcement of the Company dated 13 August 2021, following the approval of the relevant resolution by the Shareholders by way of special resolution at the extraordinary general meeting of the Company held on 2 July 2021, the English name of the Company has been changed from “Speed Apparel Holding Limited” to “EPS Creative Health Technology Group Limited” and the dual foreign name of the Company has been changed from “尚捷集團控股有限公司” to “EPS創健科技集團有限公司” with effect from 9 July 2021 to better reflect the business strategy of the Company and its direction for future development following the unconditional mandatory cash offer made by EPS HD.

## **FUTURE PROSPECTS**

COVID-19 pandemic caused disruptions to economic activities worldwide and significant uncertainties to the current business environment. However, it is expected that the global economy will slowly recover. In this context, the Board expects demands on the Group’s products to slightly increase. However, there is still uncertainty for the remainder of the financial year 2021/2022. The Board will continue to closely monitor the developments of COVID-19 pandemic and stay vigilant to its adverse impacts to the Group’s operations and the risks in connection therewith. The Group will take appropriate measures to adapt to the challenging environment when necessary including but not limited to taking cost control measures to reduce the operating costs of the Group.

Travel restrictions imposed by the governments around the world in response to the COVID-19 pandemic caused the Group to suspend visits and co-organise on-site sales and marketing activities with its customers such as private exhibitions to promote the Group’s products. Nevertheless, the Group will continue to develop and create more promotion samples to cater to the existing and potential customers’ needs. The Group will actively promote its products in various ways including but not limited to (i) display and promote sample products in showroom in Japan during customers’ visits; (ii) e-promotion via online platforms tailored for individual customers; (iii) proactively approach the potential customers through business referrals and its business network; (iv) convening frequent video conferences with existing and potential customers to explore new business opportunities; and (v) arrange sales visits and co-organise private exhibitions in compliance with the travel restrictions in force, if considered appropriate and beneficial by the Board. The Group will continue to work closely with its customers in devising new product designs each season and delivering knitwear products according to their requirements and the customers can rely on the Group to fulfill their needs for a full spectrum of apparel supply chain management services.

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

The Board has adopted the provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules. The 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 A.2.1 of the CG Code. During the Reporting Period, Mr. Chan Wing Kai was the chairman of the Board and the chief executive officer of the Company up to his resignation as, among other roles, an executive Director, the Chairman and the Chief Executive Officer of the Company with effect from 30 June 2021. The then Directors considered that vesting the roles of the chairman of the Board and the chief executive officer of the Company in Mr. Chan Wing Kai was beneficial to the management and business development of the Group and would provide a strong and consistent leadership to the Group.

Following his resignation, Mr. Okoso Satoshi, a non-executive Director, has been appointed as the Chairman in place of Mr. Chan Wing Kai, and Mr. Gao Feng, an executive Director, has been appointed as the Chief Executive Officer, both with effect from 30 June 2021, and thereafter the Group has ceased to have any deviation from the code provision A.2.1 of the CG Code.

### **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

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

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

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

## **IMPORTANT EVENT AFTER THE REPORTING PERIOD**

There is no significant event subsequent to 30 September 2021 which would materially affect the Group's operations and financial performance.

## **AUDIT COMMITTEE**

The Audit Committee was established in compliance with Rules 3.21 to 3.23 of the Listing Rules and code provision C.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. Liang Fei, a non-executive Director. The Audit Committee has reviewed this announcement including the unaudited interim results of the Group for the Reporting Period before recommending it to the Board for approval.

By order of the Board  
**EPS Creative Health Technology Group Limited**  
**Mr. Gao Feng**  
*Executive Director*

Hong Kong, 29 November 2021

*As at the date of this announcement, the executive Directors are Mr. Gao Feng and Mr. Haribayashi Keikyo; the non-executive Directors are Mr. Okoso Satoshi and Mr. Liang Fei; and the independent non-executive Directors are Mr. Taguchi Junichi, Mr. Choi Koon Ming and Mr. Chan Cheuk Ho.*