

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



# **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 2022**

### **FINANCIAL HIGHLIGHTS**

- Revenue of approximately HK\$228.0 million was recorded for the six months ended 30 September 2022;
- Loss after taxation for the Reporting Period amounted to approximately HK\$8.4 million;
- Basic loss per share for the Reporting Period based on weighted average number of 500,000,000 ordinary shares of the Company was approximately 1.7 HK cents; and
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2022.

## INTERIM RESULTS

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

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

*For the six months ended 30 September 2022*

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
<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>762</u>	<u>93</u>
<b>Other comprehensive income for the period</b>	<u>762</u>	<u>93</u>
<b>Total comprehensive loss for the period</b>	<u><u>(7,643)</u></u>	<u><u>(5,501)</u></u>
<b>Loss for the period attributable to:</b>		
Owners of the Company	(7,842)	(5,425)
Non-controlling interests	<u>(563)</u>	<u>(169)</u>
	<u><u>(8,405)</u></u>	<u><u>(5,594)</u></u>
<b>Total comprehensive loss attributable to:</b>		
Owners of the Company	(7,153)	(5,337)
Non-controlling interests	<u>(490)</u>	<u>(164)</u>
	<u><u>(7,643)</u></u>	<u><u>(5,501)</u></u>
<b>Loss per share attributable to ordinary equity holders of the Company</b>		
	<b>HK cents</b>	HK cents
Basic loss per share for the period attributable to owners of the Company	<u><u>(1.7)</u></u>	<u><u>(1.1)</u></u>
<i>10</i>		

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

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

	<b>30 September</b>	31 March
	<b>2022</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Notes</i>	<b>(unaudited)</b>	(audited)
<b>Non-current liabilities</b>		
Lease liabilities	<b>688</b>	2,099
Amount due to a related party	<b>52,882</b>	72,271
Deferred tax liabilities	<u>–</u>	<u>38</u>
	<b><u>53,570</u></b>	<u>74,408</u>
<b>NET ASSETS</b>	<b><u><u>118,734</u></u></b>	<b><u><u>126,704</u></u></b>
<b>Capital and reserves</b>		
Share capital	<b>5,000</b>	5,000
Reserves	<b><u>110,308</u></b>	<u>120,372</u>
<b>Equity attributable to the owners of the Company</b>	<b>115,308</b>	125,372
Non-controlling interests	<u>3,426</u>	<u>1,332</u>
<b>TOTAL EQUITY</b>	<b><u><u>118,734</u></u></b>	<b><u><u>126,704</u></u></b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2022*

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 November 2015 under the Companies 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.

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, Japan-People's Republic of China (“**PRC**”) specialised contract research organisation (“**CRO**”) and, innovative research organisation (“**IRO**”) services and licensing and financing support. The Group is also engaged in in-house drug discovery and development. The ultimate holding company of the Company is EPS Holdings, Inc. (“**EPS HD**”), a company incorporated in Japan with limited liability. As at the date of this announcement, EPS HD is 71.55% owned by Y&G Limited which is wholly-owned by Mr. Yan Hao. The remaining 28.45% of EPS HD are owned as to 20% by Suzuken Co., Ltd, 2.49% by Song Junbo, 2.32% by Mr. Yan Hao, 0.51% by each of Tashiro Shinro, Nagaoka Tatsuma and Hirosaki Shinji, and 2.11% by Yu Huanrang.

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

## 2. BASIS OF PREPARATION

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

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

### 3. PRINCIPAL ACCOUNTING POLICIES

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

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

#### Application of amendments to HKFRSs

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

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

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

### 4. REVENUE

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

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

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

## 5. SEGMENT INFORMATION

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

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

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

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

### Segment revenues and results

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

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



	Six months ended 30 September 2021		
	Garment	Healthcare	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
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
Unallocated head office and corporate 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><u>(5,594)</u></u>

## Geographical Information

### Information on major customers

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

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

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

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

## 6. OTHER INCOME

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

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

## 7. INCOME TAX EXPENSE

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

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

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

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

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

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

## 8. DIVIDEND

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

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

## 9. LOSS FOR THE PERIOD

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

## 10. LOSS PER SHARE

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

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

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

## 11. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

## 12. TRADE AND OTHER PAYABLES

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### INTRODUCTION

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

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

### BUSINESS REVIEW

#### Garment segment

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

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



## **Healthcare segment**

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

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

## **Performance review**

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

## **FINANCIAL REVIEW**

### **Revenue from Garment segment**

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

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

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

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

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

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

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

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

### **Womenswear**

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

### **Menswear**

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

## **Kidswear**

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

## **Revenue from Healthcare segment**

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

## **Cost of sales**

### *Garment segment*

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

### *Healthcare segment*

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

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

### *Garment segment*

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

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

### ***Healthcare segment***

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

### **Interest income**

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

### **Other income**

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

### **Selling and distribution expenses**

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

## **Administrative expenses**

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

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

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

## **Finance costs**

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

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

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

## **BASIC LOSS EARNINGS PER SHARE**

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

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the Reporting Period (six months ended 30 September 2021: HK\$ 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 2022 and 31 March 2022, the Group had net current assets of approximately HK\$160.9 million and HK\$190.9 million, respectively, including bank and cash balances of approximately HK\$163.0 million and HK\$198.0 million, respectively. The Group's current ratio decreased from approximately 5.0 as at 31 March 2022 to approximately 2.9 as at 30 September 2022. Such decrease was mainly due to the increase in current assets by approximately 2.8% whilst current liabilities significantly increased by approximately 76.8% as compared to the balances as at 31 March 2022. The significant increase in current liabilities were mainly attributable to the increase in trade and other payables.

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

## **TREASURY POLICIES**

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

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

## **CAPITAL STRUCTURE**

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

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

## **SIGNIFICANT INVESTMENT**

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

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

Save as disclosed in this 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**

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

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

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

\* *For identification purpose only*



## PLEDGE OF ASSETS

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

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

## CONTINGENT LIABILITIES

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

## CAPITAL COMMITMENTS

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

## FOREIGN EXCHANGE EXPOSURE

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

## CHANGE OF BOARD COMPOSITION

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

## **FUTURE PROSPECTS**

### **Garment segment**

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

### **Healthcare segment**

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

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

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

## **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 amendments to the Corporate Governance Code which became effective on 1 January 2022 (the “**New CG Code**”) apply to corporate governance reports for a financial year commencing on or after 1 January 2022. The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standards, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Company.

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

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

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

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

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

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

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

#### **AUDIT COMMITTEE**

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

The Audit Committee currently consists of three members, namely Mr. Chan Cheuk Ho (the Chairman of the Audit Committee) and Mr. Choi Koon Ming, both being independent non-executive Directors, and Mr. Xia Xiangming, a non-executive Director. The Audit Committee has reviewed this 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**  
**Miyano Tsumoru**  
*Executive Director*

Hong Kong, 29 November 2022

*As at the date of this announcement, the executive Directors are Mr. Okoso Satoshi, Mr. Miyano Tsumoru, Mr. Gao Feng, Mr. Haribayashi Keikyo and Mr. Maezaki Masahiro; the non-executive Director is Mr. Xia Xiangming; and the independent non-executive Directors are Mr. Taguchi Junichi, Mr. Choi Koon Ming and Mr. Chan Cheuk Ho.*