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EPS Creative Health Technology Group Limited

(Incorporated in the Cayman Islands with limited liability)

(HKEX Stock code: 3860)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023

FINANCIAL HIGHLIGHTS

For the year ended 31 March 2023, the operating results of the Group are as follows:

- Revenue of approximately HK\$452.9 million was recorded for the year ended 31 March 2023;
- Loss after taxation for the year ended 31 March 2023 amounted to approximately HK\$50.3 million;
- Basic loss per share for the year ended 31 March 2023 based on weighted average number of 500,000,000 ordinary shares was approximately HK9.15 cents; and
- The Directors do not recommend the payment of a final dividend for the year ended 31 March 2023.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of EPS Creative Health Technology Group Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2023, together with comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (restated)
Revenue	3	452,906	519,947
Cost of sales		<u>(385,059)</u>	<u>(443,166)</u>
Gross profit		67,847	76,781
Other income and loss		(261)	(3,702)
Other expenses		(13,040)	(11,249)
Selling and distribution expenses		(33,768)	(31,772)
Administrative expenses		<u>(63,144)</u>	<u>(48,188)</u>
Loss from operations		(42,366)	(18,130)
Finance costs		<u>(5,795)</u>	<u>(4,614)</u>
Loss before tax	6	(48,161)	(22,744)
Taxation	5	<u>(2,125)</u>	<u>(3,529)</u>
Loss for the year		<u>(50,286)</u>	<u>(26,273)</u>
Attributable to:			
Owners of the Company		(45,737)	(22,600)
Non-controlling interests		<u>(4,549)</u>	<u>(3,673)</u>
Loss for the year		<u>(50,286)</u>	<u>(26,273)</u>
Loss per share	8		
Basic and diluted (HK cents)		<u>(9.15)</u>	<u>(4.52)</u>

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (restated)
Loss for the year	(50,286)	(26,273)
Other comprehensive income for the year		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>388</u>	<u>2,035</u>
Other comprehensive income for the year	<u>388</u>	<u>2,035</u>
Total comprehensive expense for the year	<u>(49,898)</u>	<u>(24,238)</u>
Attributable to:		
Owners of the Company	(45,358)	(20,580)
Non-controlling interests	<u>(4,540)</u>	<u>(3,658)</u>
Total comprehensive expense for the year	<u>(49,898)</u>	<u>(24,238)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	<i>Notes</i>	31.3.2023 HK\$'000	31.3.2022 <i>HK\$'000</i> (restated)
Non-current assets			
Property, plant and equipment		3,387	2,523
Right-of-use assets		2,666	4,763
Other financial assets		2,977	2,977
Refundable rental deposits		1,732	1,654
		<u>10,762</u>	<u>11,917</u>
Current assets			
Inventories		16,871	19,856
Contract assets		2,786	227
Trade and other receivables	9	56,488	55,359
Tax recoverable		116	1,060
Pledged bank deposit		9,000	–
Cash and cash equivalents		131,471	208,141
		<u>216,732</u>	<u>284,643</u>
Current liabilities			
Trade and other payables and accruals	10	34,347	36,451
Contract liabilities		5,648	1,744
Amount due to related companies	11	70,585	35,784
Amount due to ultimate holding company		318	4,363
Lease liabilities		2,564	2,679
Tax payable		1,722	1,267
		<u>115,184</u>	<u>82,288</u>
Net current assets		<u>101,548</u>	<u>202,355</u>
Total assets less current liabilities		<u>112,310</u>	<u>214,272</u>
Non-current liabilities			
Lease liabilities		141	2,099
Amount due to related companies	11	20,525	72,271
Deferred tax liabilities		–	38
		<u>20,666</u>	<u>74,408</u>
Net Assets		<u>91,644</u>	<u>139,864</u>
Capital and reserves			
Share capital		5,000	5,000
Reserves		82,639	126,319
Equity attributable to owners of the company		<u>87,639</u>	<u>131,319</u>
Non-controlling interests		4,005	8,545
Total Equity		<u>91,644</u>	<u>139,864</u>

NOTES

For the year ended 31 March 2023

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. Significant accounting policies adopted by the Group are disclosed below.

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

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair values at the end of the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment” (“**HKFRS 2**”), leasing transactions that are within the scope of HKFRS 16 “Leases” (“**HKFRS 16**”), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets” (“**HKAS 36**”).

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Merger accounting for business combination involving entities under common control

On 20 September 2022, EPS Pharmaceutical Development (Shanghai) Co., Ltd., an indirect wholly-owned subsidiary of the Company as purchaser and EPS International Pharmaceutical Technology Co., Ltd. as vendor, entered into a sale and purchase agreement to acquire the (i) approximately 95% of the entire equity interests in Shanghai EPS Pharmaceutical Development Co., Ltd.; (ii) approximately 51% of the entire equity interests in Suzhou EPS Tigermed Pharmaceutical Technology Co., Ltd.; and (iii) 51% of the entire equity interests in Beijing Global Pharmaceutical Research Co., Ltd., at a total consideration of approximately RMB2.85 million (equivalent to approximately HK\$3.24 million).

On 7 December 2022, EPS Healthcare Limited, an indirect wholly-owned subsidiary of the Company as purchaser and EPS Ekishin Co., Ltd. as vendor, entered into a sale and purchase agreement to acquire to acquire 100% of EP Trading Co., Ltd., at the total consideration of approximately JPY99.4 million (equivalent to approximately HK\$5.6 million).

As all of these acquirees, namely Shanghai EPS Pharmaceutical Development Co., Ltd., Suzhou EPS Tigermed Pharmaceutical Technology Co., Ltd., Beijing Global Pharmaceutical Research Co., Ltd. and EP Trading Co., Ltd. (collectively referred to the “**Combining Entities**”) are controlled by the ultimate holding company, EPS Holdings, Inc. before and after each of the acquisition and the control is not transitory, these acquisitions have been regarded as business combination under common control and accounted for based on the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“**AG 5**”) issued by the HKICPA. The consolidated financial statements of the Group has been prepared using the merger basis of accounting as if the current group structure had been in existence from 26 April 2021, being the date when EPS Holdings Inc. became the Company’s immediate and ultimate holding company and the Company and the Combining Entities first came under common control of EPS Holdings Inc..

The net assets of the Combining Entities are consolidated using the existing book values from the controlling party’s perspective. No amount is recognised in respect of goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest. The adjustments to eliminate share capital/registered capital of the combining entities or businesses against the related investment costs have been made to other reserve in the consolidated statement of changes in equity.

The consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the prior years have been restated to include the operating results of the Combining Entities as if these acquisitions had been completed since the date the Company and the Combining Entities first came under the common control of EPS Holdings, Inc..

The consolidated statement of financial position as at 31 March 2022 have been restated to adjust the carrying amounts of the assets and liabilities of the Group which had been in existence as at 31 March 2023 and 31 March 2022 as if those entities or businesses were combined from the date when the Company and the Combining Entities first came under the common control of EPS Holdings, Inc. on 26 April 2021 (see below for the financial impacts). There is no effect of restatements on the consolidated balance sheet as at 1 April 2021.

The effect of restatements described above on the consolidated statement of profit or loss and consolidated statement of comprehensive income for the year ended 31 March 2022 by line items is as follows:

	As previously reported HK\$'000	Effect of business combination under common control HK\$'000	As restated HK\$'000
Revenue	424,656	95,291	519,947
Cost of sales	<u>(362,101)</u>	<u>(81,065)</u>	<u>(443,166)</u>
Gross profit	62,555	14,226	76,781
Other loss	(1,716)	(1,986)	(3,702)
Other expenses	–	(11,249)	(11,249)
Selling and distribution costs	(31,489)	(283)	(31,772)
Administrative expenses	<u>(41,357)</u>	<u>(6,831)</u>	<u>(48,188)</u>
Loss from operations	(12,007)	(6,123)	(18,130)
Finance costs	<u>(4,614)</u>	<u>–</u>	<u>(4,614)</u>
Loss before taxation	(16,621)	(6,123)	(22,744)
Income tax expenses	<u>(1,794)</u>	<u>(1,735)</u>	<u>(3,529)</u>
Loss for the year	<u>(18,415)</u>	<u>(7,858)</u>	<u>(26,273)</u>
<i>Attributable to:</i>			
Owners of the Company	(17,636)	(4,964)	(22,600)
Non-controlling interests	<u>(779)</u>	<u>(2,894)</u>	<u>(3,673)</u>
	<u>(18,415)</u>	<u>(7,858)</u>	<u>(26,273)</u>
Loss for the year	(18,415)	(7,858)	(26,273)
Other comprehensive (expense) income for the year:			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange difference arising on translation of foreign operations	<u>(77)</u>	<u>2,112</u>	<u>2,035</u>
Other comprehensive (expense) income for the year	<u>(77)</u>	<u>2,112</u>	<u>2,035</u>
Total comprehensive expense for the year	<u>(18,492)</u>	<u>(5,746)</u>	<u>(24,238)</u>
<i>Total comprehensive expense attributable to:</i>			
Owners of the Company	(17,766)	(2,814)	(20,580)
Non-controlling interests	<u>(726)</u>	<u>(2,932)</u>	<u>(3,658)</u>
	<u>(18,492)</u>	<u>(5,746)</u>	<u>(24,238)</u>

The effect of restatements on the consolidated balance sheet as at 31 March 2022 is as follows:

	As previously reported <i>HK\$'000</i>	Effect of business combination under common control <i>HK\$'000</i>	As restated <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	1,454	1,069	2,523
Right-of-use assets	4,763	–	4,763
Other financial assets	2,977	–	2,977
Refundable rental deposits	994	660	1,654
	<u>10,188</u>	<u>1,729</u>	<u>11,917</u>
Current assets			
Inventories	9,406	10,450	19,856
Contract assets	–	227	227
Trade and other receivables	30,316	25,043	55,359
Tax recoverable	1,060	–	1,060
Cash and cash equivalents	197,950	10,191	208,141
	<u>238,732</u>	<u>45,911</u>	<u>284,643</u>
Current liabilities			
Trade and other payables and accruals	22,673	13,778	36,451
Contract liabilities	–	1,744	1,744
Amount due to related companies	21,432	14,352	35,784
Amount due to ultimate holding company	–	4,363	4,363
Lease liabilities	2,679	–	2,679
Tax payable	1,024	243	1,267
	<u>47,808</u>	<u>34,480</u>	<u>82,288</u>
Net current assets	<u>190,924</u>	<u>11,431</u>	<u>202,355</u>
Total assets less current liabilities	<u>201,112</u>	<u>13,160</u>	<u>214,272</u>
Non-current liabilities			
Lease liabilities	2,099	–	2,099
Amount due to related companies	72,271	–	72,271
Deferred tax liabilities	38	–	38
	<u>74,408</u>	<u>–</u>	<u>74,408</u>
Net assets	<u>126,704</u>	<u>13,160</u>	<u>139,864</u>

	As previously reported <i>HK\$'000</i>	Effect of business combination under common control <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Capital and reserves			
Share capital	5,000	–	5,000
Reserves	<u>120,372</u>	<u>5,947</u>	<u>126,319</u>
Equity attributable to owners of the Company	125,372	5,947	131,319
Non-controlling interests	<u>1,332</u>	<u>7,213</u>	<u>8,545</u>
Total equity	<u><u>126,704</u></u>	<u><u>13,160</u></u>	<u><u>139,864</u></u>

The effect of restatements to the Group's equity on 31 March 2022 is summarised below:

	As previously reported <i>HK\$'000</i>	Effect of business combination under common control <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Share capital	5,000	–	5,000
Other reserves	78,501	25,131	103,632
Retained earnings	<u>41,871</u>	<u>(19,184)</u>	<u>22,687</u>
Equity attributable to owners of the Company	125,372	5,947	131,319
Non-controlling interests	<u>1,332</u>	<u>7,213</u>	<u>8,545</u>
Total equity	<u>126,704</u>	<u>13,160</u>	<u>139,864</u>

The effect of restatement on the Group's loss per share for the year ended 31 March 2022 is as follows:

Basic and diluted

	HK\$ per share (HK cents)
As previously stated	(3.50)
Adjustments arising from business combination under common control	<u>(1.02)</u>
Restated*	<u>(4.52)</u>

* *Rounding difference*

3. REVENUE

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

4. SEGMENT INFORMATION

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

To cope with the Group’s recent business development in Healthcare Business, the information reported to the CODM regarding Healthcare Business (CRO and IRO business, healthcare product business, IRO and CRO services and in-house R&D business) which was previously reported as a single reportable segment in prior year is further separated into Healthcare Product Business (as defined below) and IRO with CRO and In-House R&D Business (as defined below) during the year ended 31 March 2023. Accordingly each of these segments is considered as a separate operating segment by the CODM, resulting in changes to the presentation of the Group’s operating and reporting segments on the Group’s segment results and the Group’s segment assets and liabilities. Prior year segment information has also been restated for the business combination under common control as detailed in note 2.

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

- (a) Trading of apparel products (“**Garment Business**”)
- (b) Trading of healthcare products (“**Healthcare Products Business**”)
- (c) Provision of Innovative Research Organization (“**IRO**”) and Specialised Contract Research Organisation (“**CRO**”) Services and In-house R&D Business (“**IRO with CRO and In-house R&D Business**”)

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

	Revenue		Segment profit/(loss)	
	2023 HK\$’000	2022 HK\$’000 (restated)	2023 HK\$’000	2022 HK\$’000 (restated)
Garment Business	381,500	424,638	7,198	7,699
Healthcare Products Business	55,844	79,518	(5,409)	4,539
IRO with CRO and In-house R&D Business	15,562	15,791	(34,281)	(22,436)
Total	<u>452,906</u>	<u>519,947</u>	<u>(32,492)</u>	<u>(10,198)</u>
Bank interest income			190	37
Unallocated corporate expenses			(15,733)	(12,519)
Finance costs on lease liabilities			<u>(126)</u>	<u>(64)</u>
Loss before tax			<u>(48,161)</u>	<u>(22,744)</u>

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

The accounting policies of the operating and reportable segments are the same as the Group's accounting policy described in note 3. Segment profit (loss) represents the profit earned/loss incurred by each segment without allocation of bank interest income, unallocated corporate expenses and finance costs on lease liabilities. This is the measure reported to the Group's management for the purpose of resources allocation and performance assessment.

Segment assets and liabilities

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

As at 31 March 2023

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

As at 31 March 2022 (restated)

	Garment Business HK\$'000	Healthcare Products Business HK\$'000	IRO with CRO and In-house R&D Business HK\$'000	Consolidated HK\$'000
Segment assets	224,477	36,341	21,056	281,874
Other assets				<u>14,686</u>
Consolidated assets				<u><u>296,560</u></u>
Segment liabilities	126,992	4,989	13,850	145,831
Other liabilities				<u>10,865</u>
Consolidated liabilities				<u><u>156,696</u></u>

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

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

Other Segment information

As at 31 March 2023

	Garment Business HK\$'000	Healthcare Products Business HK\$'000	IRO with CRO and In-house R&D Business HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit (loss) or segment assets						
Results or segment assets:						
Interest income	–	–	–	–	190	190
Interest expenses	5,457	175	37	5,669	126	5,795
Depreciation of property, plant and equipment	825	504	169	1,498	3	1,501
Depreciation of right-of-use assets	2,574	–	–	2,574	407	2,981
Additions to property, plant and equipment	81	2,267	36	2,384	25	2,409
Additions to right-of-use assets	–	–	–	–	1,087	1,087

As at 31 March 2022 (restated)

	Garment Business HK\$'000	Healthcare Products Business HK\$'000	IRO with CRO and In-house R&D Business HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit (loss) or segment assets						
Results or segment assets:						
Interest income	–	–	–	–	37	37
Interest expenses	3,985	66	499	4,550	64	4,614
Depreciation of property, plant and equipment	983	85	47	1,115	–	1,115
Depreciation of right-of-use assets	2,481	–	–	2,481	–	2,481
Additions to property, plant and equipment	54	–	229	283	–	283
Additions to right-of-use assets	5,499	–	–	5,499	–	5,499

Geographic information

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

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

	Revenues from external customers		Non-current assets	
	2023 HK\$'000	2022 HK\$'000 (restated)	2023 HK\$'000	2022 HK\$'000 (restated)
Hong Kong	<u>33,310</u>	<u>32,444</u>	<u>2,385</u>	<u>3,597</u>
Japan	206,784	259,928	2,574	1,669
Mainland China	29,367	47,593	1,094	2,020
Europe	48,492	47,044	–	–
United States	131,191	130,232	–	–
Other countries	<u>3,762</u>	<u>2,706</u>	<u>–</u>	<u>–</u>
	<u>419,596</u>	<u>487,503</u>	<u>3,668</u>	<u>3,689</u>
	<u>452,906</u>	<u>519,947</u>	<u>6,053</u>	<u>7,286</u>

Note: Non-current assets exclude financial assets.

5. TAXATION

Taxation in the consolidated statement of profit or loss represents:

	2023 HK\$'000	2022 HK\$'000 (restated)
The taxation comprise:		
Current tax:		
Hong Kong Profits Tax		
Charge for the year	1,461	1,409
PRC Enterprise Income Tax		
Charge for the year	43	643
Overprovision in respect of prior years	(281)	(61)
Japan Corporate Income Tax		
Charge for the year	<u>940</u>	<u>1,630</u>
	2,163	3,621
Deferred tax credit for the year	<u>(38)</u>	<u>(92)</u>
	<u>2,125</u>	<u>3,529</u>

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

For the years ended 31 March 2023 and 2022, Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits of one of the subsidiaries of the Company and at 16.5% on the estimated assessable profits above HK\$2 million. The profits of corporation not qualified for the two-tier profit tax regime will continue to be taxed at a flat rate of 16.5%.

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

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

Reconciliation between tax expense and loss before tax per the consolidated statement of profit or loss at applicable tax rates:

6. LOSS BEFORE TAX

The loss before tax is arrived at after charging:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (restated)
Auditor’s remuneration	1,900	1,672
Staff costs (including directors’ emoluments)		
- Salaries, wages and other benefits	52,864	36,779
- Contributions to retirement benefits schemes	2,228	2,057
Total staff costs	55,092	38,836
Cost of inventories recognised as expenses	363,359	423,386
Depreciation of property, plant and equipment	1,501	1,115
Depreciation of rights-of-use assets	2,981	2,481
	4,482	3,596
Research and development expenses (included in other expenses)	13,040	11,249

7. DIVIDENDS

No dividend was paid or proposed for the year ended 31 March 2023 and 2022, nor has dividend been proposed since the end of reporting period.

8. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK\$45,737,000 (2022: HK\$22,600,000) and the weighted average number of ordinary shares of 500,000,000 (2022: 500,000,000) in issue during the year.

Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary share outstanding during the years ended 31 March 2023 and 2022.

9. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (restated)
Trade debtors, net of loss allowance	34,593	27,802
Bills receivables	4,792	1,369
Deposits and other receivables	14,680	22,383
Prepayments	<u>4,155</u>	<u>5,459</u>
	<u>58,220</u>	<u>57,013</u>
Analysed for reporting purpose as:		
Current assets	56,488	55,359
Non-current assets	<u>1,732</u>	<u>1,654</u>
	<u>58,220</u>	<u>57,013</u>

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

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

Ageing analysis

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (restated)
1 – 30 days	19,203	19,129
31 – 60 days	3,447	3,017
61 – 90 days	9,462	3,527
Over 90 days	<u>2,481</u>	<u>2,129</u>
	<u><u>34,593</u></u>	<u><u>27,802</u></u>

10. TRADE AND OTHER PAYABLES AND ACCRUALS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (restated)
Trade payables	22,406	25,316
Accrued staff costs	1,175	996
Accrued expenses	5,034	7,618
Other payables	<u>5,732</u>	<u>2,521</u>
	<u><u>34,347</u></u>	<u><u>36,451</u></u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (restated)
1 – 30 days	19,848	19,209
31 – 60 days	1,413	1,560
61 – 90 days	–	1,930
Over 90 days	<u>1,145</u>	<u>2,617</u>
	<u><u>22,406</u></u>	<u><u>25,316</u></u>

11. AMOUNTS DUE TO RELATED COMPANIES/ULTIMATE HOLDING COMPANY

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (restated)
Amounts due to related companies:		
Carrying amounts that is repayable:		
– Repayable on demand or within one year	70,585	35,784
– over one year but less than two years	20,525	20,526
– over two years but less than five years	<u>–</u>	<u>51,745</u>
	91,110	108,055
Less: Amounts due for settlement within one year (shown under current liabilities)	<u>(70,585)</u>	<u>(35,784)</u>
Amounts due for settlement after one year	<u>20,525</u>	<u>72,271</u>
Amount due to ultimate holding company	<u>318</u>	<u>4,363</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

Under the apparel segment, the Group is engaged in Garment Business, providing apparel supply chain management service. Headquartered in Hong Kong, the Group principally sells knitwear products. The Group provides one-stop apparel supply chain management solutions for its customers ranging from fashion trend analysis, product design and development, sourcing and procurement of materials, production management, quality control to logistics services. The Group's customers are mainly owners or sourcing agents of apparel retail brands based in Japan and the 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 PRC, Thailand and/or Cambodia.

Under the healthcare segment, the Group is also principally engaged in Healthcare Products Business, IRO with CRO and In-house R&D Business. During the reporting year, the Group has acquired (i) three PRC companies which are principally engaged in clinical trial services providing project management, clinical operations, data science, consulting for medical safety and regulatory science; and (ii) a company established in Japan and is principally engaged in the business of sourcing and distribution of large and medium-sized equipment and supplies for preclinical trials and medical healthcare products in Japan and the PRC.

BUSINESS REVIEW

Garment Business

The Group recorded revenue of approximately HK\$381.5 million for the reporting year in this segment, representing a decrease of approximately 10.2% as compared to approximately HK\$424.6 million for the year ended 31 March 2022. The Group's gross profit for the reporting year amounted to approximately HK\$61.8 million (for the year ended 31 March 2022: approximately HK\$62.5 million). The decrease in gross profit of the Group in this segment was primarily attributable to the decrease in the purchase orders from a major customer headquartered in Japan.

During the reporting year, having faced the complex and adverse trading environment, the retail markets for apparel trading including the USA and Japan where the major customers of the Group are located continued to be affected. The customer orders and group sales are expected to continue to decline in 2023 to 2024 due to an unstable economic environment.

Healthcare Products Business

In order to expand our Healthcare Products Business, we made the following acquisition during the reporting period.

In December 2022, we have acquired 100% shares of EP Trading Co., Ltd. and following completion, EP Trading Co., Ltd. and its subsidiary have become our Group companies.

EP Trading Co., Ltd. and its subsidiary have a long-established business operation and connection in the sourcing and distribution of large and medium-sized equipment and supplies for preclinical trials, and medical healthcare products and overseas distribution of products. Following the Acquisition, the Company would be able to rely on the established channels and network for the import of consumables and distribution of healthcare products of the Target Company to the PRC and overseas.

The Group recorded revenue of approximately HK\$55.8 million for the reporting year in this segment, representing a decrease of approximately 29.8% as compared to approximately HK\$79.5 million for the year ended 31 March 2022. The Group's gross profit for the reporting year in this segment amounted to approximately HK\$12.2 million (for the year ended 31 March 2022: approximately HK\$18.2 million). The decrease in revenue and gross profit mainly arose as a result of the reduction in the purchase orders from one of the major customers in Japan and an overall reduction in purchase orders from other customers as a result of devaluation in Japanese yen during the reporting year.

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

IRO with CRO Services

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

We have called it IRO business which is quite a new business model to provide services for business development and commercialization support including the entry of the PRC companies into the Japan market and the entry of the biotech-ventures in Japan into the PRC .

In order to strengthen functions in our IRO business, we acquired 3 PRC CRO in September 2022 which are principally engaged in clinical trial services providing project management, clinical operations, data science, consulting for medical safety and regulatory science.

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

In-house R&D Business

The Group has been focusing and making steady progress on the initiatives of (i) exploring the potential for anti-obesity and anti-diabetes therapies using the brown adipocytes induction technology in regenerative medicine and in the screening of substances that may increase energy consumption; (ii) creating a new treatment option for Lower Extremity Artery Diseases (LEAD) which has been already under collaborative project with a major university in Japan during the reporting period; and (iii) pursuing the possibility of sublingual immunisation, focusing on the importance of secretory IgA, which is considered to play a protective role against allergens associated with allergic diseases as well as new coronaviruses.

The Group recorded revenue of approximately HK\$15.6 million for the reporting year in this segment, representing a decrease of approximately 1.3% as compared to approximately HK\$15.8 million for the year ended 31 March 2022. The Group’s gross loss for the reporting year in this segment amounted to approximately HK\$6.1 million (for the year ended 31 March 2022: approximately HK\$3.9 million). The Japan-PRC specialised CRO business is very competitive and the Group is in the process to coordinate industry resources to improve its margins. In addition, IRO business is characterized by the fact that most of the business development customers in the early stage are mainly consulting and there shall be long-term benefits once these customers’ business is secured.

Performance Review

The Group's total comprehensive expense attributable to owners of the Company was approximately HK\$45.4 million for the reporting year (for the year ended 31 March 2022, the total comprehensive expense attributable to owners of the Company was approximately HK\$20.6 million). The increase of the total comprehensive expense attributable to owners of the Company is mainly attributable to (i) the increase in the research and related administrative expenses incurred in relation to the new drug development projects of approximately HK\$2 million; (ii) the increase in loss attributable to IRO business of HK\$10.6 million; (iii) the increase in administrative cost of approximately HK\$6 million; and (iv) translating of foreign operations.

FINANCIAL REVIEW

Revenue from Garment Business

The Group's knitwear products are divided into three categories, namely womenswear products, menswear products and kidswear products. During the year ended 31 March 2023, the Group's revenue was mainly derived from the sales of womenswear products, which accounted for approximately 78.3% (for the year ended 31 March 2022: approximately 76.2%) of the Group's total revenue for the year ended 31 March 2023. The following table sets out a breakdown of the Group's revenue by product category for each of the two years ended 31 March 2023:

	Year ended 31 March				Rate of Change %
	2023		2022		
	HK'000	%	HK'000	%	
Womenswear	298,830	78.3	323,635	76.2	(7.7)
Menswear	68,995	18.1	61,875	14.6	11.5
Kidswear	13,675	3.6	39,128	9.2	(65.1)
Total	<u>381,500</u>	<u>100</u>	<u>424,638</u>	<u>100</u>	(10.2)

During the year ended 31 March 2023, the sales volume of the Group amounted to approximately 4.6 million pieces (for the year ended 31 March 2022: approximately 5.8 million pieces) of finished knitwear products. Set out below are the total sales quantity of each product category for each of the two years ended 31 March 2023:

	Year ended 31 March				Rate of Change %
	2023		2022		
	Pieces '000	%	Pieces '000	%	
Womenswear	3,345	73.1	4,132	71.6	(19.0)
Menswear	969	21.2	964	16.7	0.5
Kidswear	264	5.7	673	11.7	(60.8)
Total	<u>4,578</u>	<u>100</u>	<u>5,769</u>	<u>100</u>	(20.6)

The selling price of each of the product category depends primarily on, among other things, (i) the complexity of the product design; (ii) the size of an order; (iii) the delivery schedule set out by customers; (iv) the costs of raw materials; and (v) the production costs as quoted by the third-party manufacturers. Accordingly, the selling price of the Group's products may differ considerably in different purchase orders by different customers. Set out below are the average selling prices per piece of finished product sold by the Group by product category for each of the two years ended 31 March 2023:

	Year ended 31 March		Rate of change %
	2023	2022	
	Average selling price (Note) HK\$	Average selling price (Note) HK\$	
Womenswear	89.3	78.3	14.0
Menswear	71.2	64.2	10.9
Kidswear	51.8	58.1	(10.8)
Overall average selling price per piece	<u>83.3</u>	<u>73.6</u>	<u>13.2</u>

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

The Group's revenue decreased by approximately 10.2%, or approximately HK\$43.1 million, from approximately HK\$424.6 million for the year ended 31 March 2022 to approximately HK\$381.5 million for the year ended 31 March 2023. The decrease in revenue was primarily attributable to the substantial decrease in purchase orders of the Group from a major customer headquartered in Japan.

Womenswear

During the year ended 31 March 2023, the Group's revenue from the garment segment was mainly derived from the sales of womenswear products. Revenue derived from the sales of womenswear products decreased by approximately HK\$24.8 million or 7.7%, from approximately HK\$323.6 million for the year ended 31 March 2022 to approximately HK\$298.8 million for the year ended 31 March 2023. Such decrease was mainly attributable to the decrease in sales quantity from approximately 4.1 million pieces for the year ended 31 March 2022 to approximately 3.3 million pieces for the year ended 31 March 2023, which outweighed an increase in average selling price per piece of womenswear products from approximately HK\$78.3 for the year ended 31 March 2022 to approximately HK\$89.3 for the year ended 31 March 2023.

Menswear

The Group's revenue derived from the sales of menswear products increased by approximately HK\$7.1 million or 11.5% from approximately HK\$61.9 million for the year ended 31 March 2022 to approximately HK\$69.0 million for the year ended 31 March 2023. Such increase was mainly attributable to the increase in average selling price per piece of menswear products from approximately HK\$64.2 for the year ended 31 March 2022 to approximately HK\$71.2 for the year ended 31 March 2023.

Kidswear

Revenue derived from the sales of kidswear products of the Group decreased significantly by approximately HK\$25.5 million or 65.1% to approximately HK\$13.7 million for the year ended 31 March 2023 from approximately HK\$39.1 million for the year ended 31 March 2022. The significant decrease in the revenue of the Group's kidswear products was mainly attributable to the decrease in sales volume of the Group's kidswear products from approximately 0.7 million pieces for the year ended 31 March 2022 to approximately 0.3 million pieces for the year ended 31 March 2023 coupled with the decrease in average selling price per piece of the kidswear products from approximately HK\$58.1 for the year ended 31 March 2022 to approximately HK\$51.8 for the year ended 31 March 2023.

Revenue from Healthcare Products Business

Revenue derived from the Healthcare Products Business of the Group decreased by approximately HK\$23.7 million or 29.8% to approximately HK\$55.8 million for the year ended 31 March 2023 from approximately HK\$79.5 million for the year ended 31 March 2022. The significant decrease in the revenue of the Group is mainly attributable to the reduction in the purchase orders from one of the major customers in Japan and an overall reduction in purchase orders from other customers as a result of devaluation in Japanese yen during the reporting year.

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

Revenue derived from the IRO with CRO and In-house R&D Business of the Group decreased slightly by approximately HK\$0.2 million or 1.5% to approximately HK\$15.6 million for the year ended 31 March 2023 from approximately HK\$15.8 million for the year ended 31 March 2022.

Gross profit and gross profit margins

Garment Business

The Group's gross profit decreased to approximately HK\$61.8 million for the year ended 31 March 2023 from approximately HK\$62.5 million for the year ended 31 March 2022, representing a decrease of approximately 1.2%. The decrease in gross profit of the Group was primarily attributable to the decrease in purchase orders from a major customer headquartered in Japan. The Group's gross profit margin increased to approximately 16.2% for the year ended 31 March 2023 from approximately 14.7% for the year ended 31 March 2022. Such increase in the Group's gross profit margin was mainly attributable to the increase in average selling price per piece of the overall products for the year ended 31 March 2023.

Healthcare Products Business

The Group's gross profit decreased to approximately HK\$12.2 million for the year ended 31 March 2023 from approximately HK\$18 million for the year ended 31 March 2022, representing a decrease of approximately 32.6%. The decrease in gross profit of the Group was primarily attributable to the reduction in the purchase orders from one of the major customers in Japan and overall reduction in purchase orders from other customers as a result of devaluation in Japanese yen during the year.

IRO with CRO and In-house R&D Business

The Group's gross loss increased to approximately HK\$6.1 million for the year ended 31 March 2023 from approximately HK\$3.9 million for the year ended 31 March 2022, representing an increase of approximately 40.1%. The increase in gross loss of the Group was primarily attributable to the competitiveness of the Japan-PRC specialised CRO business and that the Group has been in the process to coordinate industry resources to improve its margins. In addition, the IRO business is characterized by the fact that most of the business development customers in the early stage are mainly consulting and there shall be long-term benefits once these customers' business is secured.

Other income and loss

Other income and loss mainly consists of sample sales income, exchange loss and fair value loss on financial assets at fair value. Other income and loss decreased by approximately HK\$3.4 million for the year ended 31 March 2023 to HK\$0.3 million from approximately HK\$3.7 million for the year ended 31 March 2022. The decrease in other income and loss of the Group was primarily attributable to the waiver of debt of HK\$1.8 million due to a related party prior to the acquisition of the equity interests in three PRC companies during the reporting year.

Other expenses

Other expenses mainly consist of research and development cost and related administrative expenses in In-House R&D Business. Such expenses have slightly increased to approximately HK\$13 million for the year ended 31 March 2023 from approximately HK\$11.2 million for the year ended 31 March 2022, representing an increase of approximately 16.1%. Such increase was mainly attributable to the increase in research and development trials during the year.

Selling and distribution expenses

Selling and distribution expenses mainly consist of advertising expenses, commission expenses, logistic expenses, sample costs and staff costs and benefits of merchandising staff. Selling and distribution expenses slightly increased to approximately HK\$33.8 million for the year ended 31 March 2023 from approximately HK\$31.8 million for the year ended 31 March 2022, representing an increase of approximately 6.3%. Such increase was mainly attributable to the overall increase in transportation cost and the selling expenses of the Healthcare Products Business.

Administrative expenses

Administrative expenses primarily consist of legal and professional fees, overseas and local travelling and general administrative expenses. Administrative expenses increased to approximately HK\$63.1 million for the year ended 31 March 2023 from approximately HK\$48.2 million for the year ended 31 March 2022, representing a significant increase of approximately 30.9%. Such increase was mainly attributable to the increase in staff costs and benefits and the legal and professional fees during the year.

Finance costs

Finance costs increased to approximately HK\$5.8 million for the year ended 31 March 2023 from approximately HK\$4.6 for the year ended 31 March 2022. Such increase was mainly attributable to the increase in the factoring cost arisen from the Garment Business.

Total comprehensive expense attributable to owners of the Company

Total comprehensive expense attributable to owners of the Company amounted to approximately HK\$45.4 million for the year ended 31 March 2023 compared with that of approximately HK\$20.6 million for the year ended 31 March 2022, representing an increase of approximately HK\$24.8 million. The increase in the total comprehensive expense attributable to owners of the Company is mainly attributable to (i) the increase in the research and related administrative expenses incurred in relation to the new drug development projects of approximately HK\$2 million; (ii) the increase in loss attributable to IRO business of HK\$10.6 million; (iii) the increase of administrative cost of approximately HK\$6 million; and (iv) the loss on currency translation of foreign operations.

BASIC LOSS PER SHARE

The Company's basic loss per share for the year ended 31 March 2023 was approximately HK9.15 cents, as compared to the basic loss per share of approximately HK4.52 cents for the year ended 31 March 2022. The significant increase in the Company's basic loss per share for the year ended 31 March 2023 was a result of the increase in loss attributable to owners of the Company for the year ended 31 March 2023.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2023 (for the year ended 31 March 2022: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 March 2023, the Group's operations were generally financed through its internally generated cash flows and borrowings from banks. The Directors believe that in the long term, the Group's operations will be funded by a combination of internally generated cash flows and bank borrowings and, if necessary, additional equity financing.

As at 31 March 2023 and 2022, the Group had net current assets of approximately HK\$101.5 million and HK\$202.4 million, respectively, including cash and cash equivalents of approximately HK\$131.5 million and HK\$208.1 million, respectively. The Group's current ratio decreased from approximately 3.5 as at 31 March 2022 to approximately 1.9 as at 31 March 2023. Such decrease was mainly due to current assets decreased by approximately 23.9% and current liabilities increased significantly by approximately 40% as compared to the balances as at 31 March 2022. They were mainly attributable to the additional research and development cost and losses arisen from the Healthcare Products Business and IRO with CRO and In-house R&D Business.

Gearing ratio is calculated based on the total loans and borrowings (including bank borrowings due within one year and lease liabilities) divided by total equity at the respective reporting date. As at 31 March 2023 and 2022, the Group's gearing ratio was 1.48 and 1.12, respectively. The Group entered into two banking facility agreements with the amount in aggregate of up to approximately HK\$19.8 million (at 31 March 2022: Nil). The Group's rate of unutilised banking facilities was 100% as at 31 March 2023. With the existing available cash and cash equivalents, the Group has sufficient liquidity to satisfy its funding requirements, but the Group will continue to look for fund raising opportunities in order to further strengthen the Group financial cash position.

TREASURY POLICIES

The Group adopts prudent treasury policies. The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise its credit risk, the management of the Group has delegated a team to perform ongoing credit evaluation of the financial conditions of the customers including but not limited to the determination of credit limits, credit approvals and other monitoring procedures to ensure that appropriate follow-up action(s) is/are taken to recover overdue debts and reduce the Group's exposure to credit risk. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate expected loss allowance is made. The Group generally grants an average credit period of 30 to 90 days to its customers. Most of these counterparties are either owners or sourcing agents of apparel retail brands based in Japan and the USA. The management of the Group considered that the credit risk on amounts due from these customers is insignificant after considering their historical settlement records, credit qualities and financial positions of the counterparties. In management of the liquidity risk, the Board closely monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in the currency of Japanese Yen ("JPY") and Renminbi ("RMB").

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during the year ended 31 March 2023. The share capital of the Company only comprises ordinary shares.

As at 31 March 2023, the Company's issued share capital was HK\$5.0 million divided by 500,000,000 ordinary shares of HK\$0.01 each.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

During the year ended 31 March 2023, the Group has entered into the following significant acquisitions.

(a) Discloseable and Connected Transaction – Acquisition of the equity interests in three PRC companies

Reference is made to the announcements of the Company dated 20 September 2022 and 26 September 2022.

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 a sale and purchase agreement to acquire (i) approximately 95% of the entire equity interests in Shanghai EPS Pharmaceutical Development Co., Ltd.* (上海日新醫藥發展有限公司), (ii) approximately 51% of the entire equity interests in Suzhou EPS Tigermed Pharmaceutical Technology Co., Ltd.* (蘇州益新泰格醫藥科技有限公司); and (iii) 51% of the entire equity interests in Beijing Global Pharmaceutical Research Co., Ltd.* (北京格銳博醫藥研發有限公司) (collectively, the “Share Interests”). The total consideration for the sale and purchase of the Share Interests is approximately RMB2.85 million (equivalent to approximately HK\$3.24 million).

(b) Discloseable and Connected Transaction – Acquisition of the entire equity interest in EP Trading Co., Ltd.

Reference is made to the announcement of the Company dated 7 December 2022.

On 7 December 2022, EPS Healthcare Limited, a direct wholly-owned subsidiary of the Company as purchaser and EPS Ekishin Co., Ltd. as vendor, entered into a sale and purchase agreement to acquire the entire equity interests (the “EP Sale Interests”) in EP Trading Co., Ltd.* (EP貿易有限公司/EPトレーディング株式会社), a company established in Japan with limited liability. The total consideration for the EP Sale Interests is approximately JPY99.4 million (equivalent to approximately HK\$5.6 million).

(c) Discloseable Transaction – Acquisition of 65% equity interest in R&E Corporation Limited

Reference is made to the announcements of the Company dated 28 March 2023, 27 April 2023 and 23 May 2023.

* For identification purpose only

On 28 March 2023, EPS Healthcare Limited, a direct wholly-owned subsidiary of the Company as purchaser and RIN Holding Co., Limited as vendor, entered into a sale and purchase agreement to acquire the 65% equity interests (the “**R&E Sale Interests**”) in R&E Corporation Limited. The total consideration for the sale and purchase of the R&E Sale Interests is approximately HK\$56.16 million, which was satisfied by the issue of an interest-free promissory note for the principal amount of HK\$56.16 million (subject to adjustment and capitalisation). All of the conditions under the sale and purchase agreement have been fulfilled and the completion of the acquisition took place on 23 May 2023.

Save as disclosed above, during the year ended 31 March 2023, the Group did not have any significant acquisitions or disposals of subsidiaries, associates or joint ventures nor had any significant investment with a value of 5% or more of the Company’s total assets.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2023 (as at 31 March 2022: HK\$ Nil).

CAPITAL COMMITMENT

The Group has capital commitment of JPY50 million (equivalent to approximately HK\$2.9 million) as at 31 March 2023 (as at 31 March 2022: JPY50 million (equivalent to approximately HK\$3.2 million)).

FOREIGN EXCHANGE EXPOSURE

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

PLEDGE OF ASSETS

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

	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
Pledged bank deposit	9,000	–

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2023, the Group employed a total of 136 full-time employees (as at 31 March 2022: 141). The Group's staff costs included Directors' emoluments, salaries, other staff benefits and contributions to retirement schemes. For the years ended 31 March 2023 and 2022, the Group's total staff costs (including Directors' emoluments) amounted to approximately HK\$55.1 million and HK\$38.9 million, respectively. Remuneration is determined with reference to market terms and the performance, qualification(s), experience, position and seniority of individual employee. In addition to the basic salary, year-end bonuses would be discretionarily offered to those employees with outstanding performance, in order to retain employees continuously contributing to the Group.

The remuneration committee of the Company reviews and determines the remuneration and compensation packages of the Directors and senior management of the Company with reference to their experience, responsibilities, workload, time devoted to the Group and performance of the Group. Share options may also be granted to the Directors and senior management under the share option scheme.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 March 2023, the Group mainly carried out its businesses in Hong Kong and the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied with all relevant laws and regulations in Hong Kong and the PRC.

ENVIRONMENTAL POLICY

The Group aims to protect the environment by minimising environmental adverse impacts in daily operations, such as energy saving and recycling of office resources. The Group will continue to seek better environmental practices and promote the right environmental attitudes within the organisation. The Group has complied with all relevant laws, rules and regulations regarding environmental protection, health and safety, workplace conditions and employment during the year ended 31 March 2023.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognises employees as one of the valuable assets of the Group and the Group strictly complies with the labour laws, rules and regulations in Hong Kong and reviews regularly the existing staff benefits for improvement. Apart from the reasonable remuneration packages, the Group also offers other employee benefits, such as medical insurance, birthday leave to the eligible employees, etc. The Group works closely with its customers in devising new product designs each season and delivering knitwear products according to their requirements. The Group's Garment Business had maintained business relationships with its major customers for a period ranging from 2 to 13 years. Over the years, the Directors believe that the Group has fostered a trustworthy and reliable strategic partnership with its customers built upon its proven track record of quality products, industry and product know-how, market awareness, dedicated management team and competitive pricing. The Group has also established stable, close working and long-term relationships with its suppliers. During the year, there was no material dispute or disagreement between the employees, the customers and the suppliers of the Group.

FUTURE PROSPECTS

Apparel Segment

Looking ahead to 2023, in relation to the Garment Business, the Group will continue to pay special attention to the development of the domestic and international epidemic and changes in the markets to agilely respond and take appropriate actions. In order to explore for more new opportunities with the existing and potential customers, the Group will enhance product design, innovation and creativity continuously and actively promote its products in various ways including but not limited to arranging sales visits and co-organising private exhibitions with the current and potential customers. In addition, the Group will work closely with the suppliers about sourcing of the fabrication in order to obtain better material prices which will enhance our cost competitiveness. In addition, the Group will try to simplify the Group's organisation structure with each operating process in order to save costs.

With the popularisation of vaccination and the current fiscal and monetary policies in various countries, the apparel supply chain management services growth is expected to be driven by rising disposable income, growing retail value of apparel both in Japan and the USA and global economic recovery. The Group is cautiously optimistic about its prospects and invests in product design and development, including the development of healthcare apparel products in line with its commitment to promoting a healthy lifestyle.

Healthcare Segment

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

Furthermore, the Group has also expanded the Healthcare Products Business by the acquisition of a Japanese company and its subsidiary which have the business operation and connection in the sourcing and distribution of large and medium-size equipment, laboratory supplies and healthcare products during the reporting period.

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

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

OTHER INFORMATION

Corporate Governance Practices

The Board recognises that the transparency and accountability are important to a listed company. As such, the Company is committed to establishing and maintaining good corporate governance practices and procedures. The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and healthy corporate culture in return for the benefits of the Company's stakeholders as a whole.

The Company has adopted the provisions of the Corporate Governance Code (the "CG Code") as set out in Part 2 of Appendix 14 to the Listing Rules. The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of the shareholders and other stakeholders of the Company.

During the reporting period, the Group has complied with all the code provisions of the CG Code save as the deviation from the code provision C.2.1 of the CG Code for the period from 12 July 2022 to 31 March 2023, where Mr. Okoso Satoshi ("**Mr. Okoso**") is the chairman of the Board and the chief executive officer of the Company and he has been managing the Group's business and supervising the overall operations of the Group. The Directors consider that vesting the roles of the chairman of the Board and the chief executive officer of the Company in Mr. Okoso is beneficial to the management and the business developments of the Group and will provide a strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by the Directors. Having been made specific enquiry by the Company, all Directors confirmed that they have complied with the required standard of dealings set out in the Model Code and the code of conduct concerning securities transactions by the Directors for the year ended 31 March 2023.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 March 2023.

Events After the Reporting Period

Waiver of notes

The revenue and profit after tax of the Group attributable to the Garment Business for the year ended 31 March 2023 is HK\$381,499,757 and HK\$9,607,319 respectively while the targeted revenue and profit is HK\$240,000,000 and HK\$10,000,000 respectively.

As the profit after tax is lower than the guaranteed profit pursuant to the sale and purchase agreement dated 26 April 2021 (the "Agreement") and entered into among EPS Holdings, Inc. (the "Purchaser"), Speed Development Co. Ltd (the "Vendor") and Mr. Chan Wing Kai in relation to the sale and purchase of an aggregate of 375,000,000 ordinary shares in the share capital of the Company, details of which are set out in the composite document of the Company and the Purchaser dated 26 May 2021 (the "Composite Document"), the Vendor and the Guarantor were required to compensate the Company by waiving a portion of the unsecured interest-free non-transferrable notes (the "Notes") due on 30 June 2023 issued by Speed Apparel (BVI) Limited, a wholly-owned subsidiary of the Company, in favour of the Vendor, pursuant to the terms and conditions set out in the Agreement, details of which are set out in the Composite Document. As such, HK\$392,681 out of HK\$21,666,000 of the Notes will be waived.

Closure of Register of Members

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

Audit Committee

The audit committee (the "Audit Committee") of the Company was established with terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules and code provision D.3.3 of the CG Code. The primary duties of the Audit Committee are to (i) assist the Board in reviewing the Company's financial information; (ii) oversee the Group's financial reporting system, risk management and internal control systems; (iii) review and monitor the effectiveness of the scope of audit; and (iv) make recommendations to the Board on the appointment of external auditors.

The Audit Committee currently consists of three members, namely Mr. Chan Cheuk Ho (the chairman of the Audit Committee and an independent non-executive Director), Mr. Choi Koon Ming, being independent non-executive Director, and Mr. Xia Xiangming, being a non-executive Director. No member of the Audit Committee is a member of the former or existing independent auditor of the Company. The Audit Committee has reviewed the consolidated results of the Group for the year ended 31 March 2023.

Scope of work of Deloitte

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement have been compared by the Group's auditor, Deloitte Touche Tohmatsu, Certified Public Accountants ("Deloitte"), to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by Deloitte in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

Publication of the Annual Results Announcement and Annual Report for the Year Ended 31 March 2023 on the Website

This announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the website of the Company at <http://www.epshk.hk>. The annual report of the Company for the year ended 31 March 2023 will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
EPS Creative Health Technology Group Limited
Mr. Osoko Satoshi
Executive Director and Chief Executive Officer

Hong Kong, 29 June 2023

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.