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EPS Creative Health Technology Group Limited

(Incorporated in the Cayman Islands with limited liability)

(HKEX Stock code: 3860)

CONTINUING CONNECTED TRANSACTION PURCHASES OF PRODUCTS FROM CONNECTED PERSON

Reference is made to the announcement of the Company dated 7 December 2022, on 7 December 2022 (after trading hours of the Stock Exchange), EPS Healthcare, a direct wholly-owned subsidiary of the Company, as purchaser and EPS Ekishin as vendor, entered into the Sale and Purchase Agreement, pursuant to which EPS Healthcare has agreed to acquire and EPS Ekishin has agreed to dispose of the entire equity interests in EP Trading, at the total cash consideration of approximately JPY99.4 million (equivalent to approximately HK\$5.6 million).

During a review of the trading data for preparation of the annual report for the year ended 31 March 2023, the management of the Group discovered that the highest of applicable percentage ratios in respect of the amount of the Transactions for the financial year ended 31 March 2023 exceeds 0.1% but less than 5%. However, due to an inadvertent oversight, the Company did not fulfil the reporting, announcement and annual review requirements in respect of the Transactions during the financial year ended 31 March 2023 under Chapter 14A of the Listing Rules. As the Company and its Directors are not aware of the Transactions and the Company has no intention what-so-ever of not complying the requirements of the Listing Rules, the Company is therefore forthwith re-complying with the reporting and announcement requirements.

The Board is pleased to announce that on 27 July 2023 (after trading hours of the Stock Exchange), EP Trading entered into the Framework Purchase Agreement with EPS USA, pursuant to which EP Trading has agreed to purchase, and EPS USA has agreed to sell the Products for the three financial years ending 31 March 2026.

The EGM will be convened by the Company to seek the approval from the Independent Shareholders for the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps by way of poll. As at the date of this announcement, EPS Holdings, being the controlling shareholder of the Company who beneficially holding 375,000,000 Shares representing approximately 75.0% of the existing issued share capital of the Company,

would be the connected person of the Company. Furthermore, EPS USA is a wholly-owned subsidiary of EPS Holdings, therefore, EPS USA is a connected person of the Company under Rule 14A.07 of the Listing Rules. Hence, the Transactions contemplated under the Framework Purchase Agreement constituted continuing connected transaction of the Company under Chapter 14A of the Listing Rules and EPS Holdings together with its associates will abstain from voting at the EGM. As the highest of applicable percentage ratios in respect of the amount of the Transactions contemplated under the Framework Purchase Agreement exceeds 5% and the consideration exceeds HK\$10,000,000 on an annual basis, the Transactions and matters contemplated under the Framework Purchase Agreement are subject to the reporting, announcement, circular, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on whether the terms and the 2023-2026 Annual Caps under the Framework Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. With the approval of the Independent Board Committee, Veda Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, amongst other things, (i) details of the Framework Purchase Agreement; (ii) the recommendation of the Independent Board Committee; (iii) the letter from the Independent Financial Adviser; and (iv) a notice of the EGM is expected to be despatched to the shareholders on or before 31 August 2023, as additional time is required for the preparation of certain information for inclusion in the circular.

BACKGROUND

Reference is made to the announcement of the Company dated 7 December 2022, on 7 December 2022 (after trading hours of the Stock Exchange), EPS Healthcare, a direct wholly-owned subsidiary of the Company, as purchaser and EPS Ekishin as vendor, entered into the Sale and Purchase Agreement, pursuant to which EPS Healthcare has agreed to acquire and EPS Ekishin has agreed to dispose of the entire equity interests in EP Trading, at the total cash consideration of approximately JPY99.4 million (equivalent to approximately HK\$5.6 million).

The Group is principally engaged in provision of apparel supply chain management services and selling knitwear apparel products to its customers, Japan-People's Republic of China specialised contract research organisation and, innovative research organisation services, licensing and financing support and in-house research and development.

EPS Holdings is the controlling shareholder of the Company who beneficially holding 375,000,000 Shares which represents approximately 75.0% of the existing issued share capital of the Company and therefore, is a connected person of the Company as defined under the Listing Rules. As at the date of this announcement, EPS Holdings is wholly-owned by Shinyou KK, a company incorporated in Japan

which is owned as to approximately 71.80% by Y&G Limited which is wholly-owned by Mr. Yan Hao and the remaining 28.20% equity interest of EPS Holdings are owned as to 20.00% by Suzuken Co., Ltd, 2.32% by Mr. Yan Hao, 0.51% by each of Tashiro Shinro, Nagaoka Tatsuma and Hirosaki Shinji, respectively, 2.11% by Yu Huanrang, and approximately 2.24% by others.

EPS USA, being a wholly-owned subsidiary of EPS Holdings, is principally engaged in trading and exporter services, and is a connected person of the Company as defined under the Listing Rules and hence the Transactions contemplated under the Framework Purchase Agreement constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

EP Trading, being an indirect wholly-owned subsidiary of the Company as at the date of this announcement, is 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, including import sales and domestic distribution in Japan and overseas distribution to the PRC via Yikun.

EP Trading together with Yikun has 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. As for the purpose of addressing the customs clearance of the Products in the procurement process of EP Trading, EPS USA provides the customs clearance service which in turn the Supplier(s) sells the Products to EPS USA first at the Original Selling Price. After the clearance of customs handled by EPS USA, the Products then will be sold from EPS USA to EP Trading at the price based on the total acquisition costs of Products purchased by EPS USA from the Suppliers plus a percentage mark-up (tax-inclusive), which is not more than 3%; and reference to the terms agreed with other suppliers who are Independent Third Party(ies) for the Products of comparable quality, ingredients, formula and quantities and applicable foreign exchange rates in relevant recent transactions.

During a review of the trading data for preparation of the annual report for the year ended 31 March 2023, the management of the Group discovered that the highest of applicable percentage ratios in respect of the amount of the Transactions for the financial year ended 31 March 2023 exceeds 0.1% but less than 5%.

HISTORICAL TRANSACTION AMOUNTS

The relevant historical transaction amounts of Transactions for the period commencing from 7 December 2022 to 31 March 2023 and for the three months ended 30 June 2023 are set out as follows:

	For the period commencing from 7 December 2022 to 31 March 2023	For the three months ended 30 June 2023
	<i>Approximately HK\$ million</i>	<i>Approximately HK\$ million</i>
Historical transaction amounts	7.7	4.5

Due to an inadvertent oversight, the Company did not fulfil the reporting, announcement and annual review requirements in respect of the Transactions during the financial year ended 31 March 2023 under Chapter 14A of the Listing Rules. As the Company and its Directors are not aware of the Transactions and the Company has no intention what-so-ever of not complying the requirements of the Listing Rules, the Company is therefore forthwith re-complying with the reporting and announcement requirements.

REMEDIAL MEASURES

The Company would like to emphasize that the non-compliance in relation to the Transactions contemplated during the year ended 31 March 2023 was inadvertent. The Company and its Directors are not aware of the Transactions and the Company has no intention what-so-ever of not complying the requirements of the Listing Rules. The Company is therefore forthwith re-complying with the said requirements of the Listing Rules. The current internal control measure adopted by the Company to ascertain whether a transaction is a connected transaction involves maintaining a list of connected persons and circulating such list together with copies of the relevant extracts of the Listing Rules to the personnel/senior management of each member of the Group. The personnel/senior management of the relevant subsidiary should update from time to time the connected persons list and report any potential connected transaction to the personnel/senior management of the Company in advance in order to ascertain whether there will be any implications under the Listing Rules.

The Company will take further remedial measures to tighten its internal control procedure with a view to ensuring timely compliance with the Listing Rules and to prevent recurrence of similar events. These measures include (1) relevant internal training session will be arranged for all the personnel/senior management involving in all business departments (especially sales and purchases) of the Company's subsidiaries to reinforce and re-explain the relevant requirements under Chapter 14A of the Listing Rules; and (2) for any potential transaction(s) which may constitute new connected transaction(s) of the Group, the Company will consult legal advisers and the Stock Exchange (where necessary) in a timely manner prior to entering into of such transaction(s).

FRAMEWORK PURCHASE AGREEMENT

The Board is pleased to announce that on 27 July 2023 (after trading hours of the Stock Exchange), EP Trading entered into the Framework Purchase Agreement with EPS USA, pursuant to which EP Trading has agreed to purchase, and EPS USA has agreed to sell the Products for the three financial years ending 31 March 2026. Major terms of the Framework Purchase Agreement are as follows:

Date	27 July 2023
Parties	EP Trading, as purchaser EPS USA, as supplier
Term	From the Effective Date to 31 March 2026
Subject Matter	The purchase of Products by EP Trading from EPS USA
Pricing basis	The price of the Products shall be determined with reference to:– (i) the total acquisition costs of Products purchased by EPS USA from Suppliers plus a percentage mark-up (tax-inclusive), which is not more than 3% (i.e. price = cost x (1 + 3% mark-up)); and (ii) the terms agreed with other suppliers who are Independent Third Party for the Products of comparable quality, ingredients, formula and quantities and applicable foreign exchange rates in recent transactions;

The price and the terms of the purchase of Products shall be agreed after arm's length negotiation between EP Trading and EPS USA based on normal commercial terms (as defined in the Listing Rules), and in any event shall be no less favourable to the terms purchased by EP Trading from Independent Third Parties.

The Board will seek the approval of the Independent Shareholders, among other things, to approve the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps at the EGM.

As at the date of this announcement, EPS Holdings, being the controlling shareholder of the Company who beneficially holding 375,000,000 Shares representing approximately 75.0% of the existing issued share capital of the Company, would be the connected person of the Company. Furthermore, EPS USA is a wholly-owned subsidiary of EPS Holdings, therefore, EPS USA is a connected person of the Company under Rule 14A.07 of the Listing Rules.

EPS Holdings and its associates shall abstain from voting in favour of the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps at the EGM. Save for EPS Holdings, to the best knowledge, information and belief of the Directors, no other Shareholders or any of their respective associates have a material interest in the Framework Purchase Agreement and the transactions contemplated thereunder (including the 2023-2026 Annual Caps), and accordingly are required to abstain from voting at the EGM.

PROPOSED ANNUAL CAPS

The table below sets out the proposed annual caps of the Transactions for the three financial years ending 31 March 2026:

	For the year ending 31 March		
	2024	2025	2026
	<i>Approximately</i>	<i>Approximately</i>	<i>Approximately</i>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Proposed annual caps	50.0	50.0	50.0

BASIS OF DETERMINING THE 2023-2026 ANNUAL CAPS

The 2023-2026 Annual Caps was determined based on the potential demand from the customers of EP Trading and the percentage mark-up (tax-inclusive) of 3% charge by EPS USA for customs clearance services.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK PURCHASE AGREEMENT

The Group is principally engaged in provision of apparel supply chain management services and selling knitwear apparel products to its customers, Japan-People's Republic of China specialised contract research organisation and, innovative research organisation services, licensing and financing support and in-house research and development.

EP Trading, being an indirect wholly-owned subsidiary of the Company as at the date of this announcement, is 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, including import sales and domestic distribution in Japan and overseas distribution to the PRC via Yikun.

EP Trading together with Yikun has 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 and EP Trading would continue to carry on the Transactions for EP Trading's business operation. As EP Trading have no customs clearance function provided by its internal departments, EP Trading has been seeking assistance from

EPS USA for handling the clearance of custom so as to continue the ordinary business. Having considered that it will take excessive and higher cost, labour resources and time for formulating an additional department to handle the clearance of customs, the entering into of the Framework Purchase Agreement are fair and reasonable and is beneficial to the Group and Shareholders as a whole by (i) reducing the unnecessary administrative costs, resources and time for handling clearance of customs for the Products procurement required by EP Trading; (ii) avoiding to seek the approval from Independent Shareholders for each Transactions; and (iii) maintaining the high efficiency of the trading business of EP Trading.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) consider that the terms of the Framework Purchase Agreement and the 2023-2026 Annual Caps are fair and reasonable and the transactions contemplated thereunder are and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

As at the date of this announcement, EPS Holdings, being the controlling shareholder of the Company who beneficially holding 375,000,000 Shares representing approximately 75.0% of the existing issued share capital of the Company, would be the connected person of the Company. Furthermore, EPS USA is a wholly-owned subsidiary of EPS Holdings, therefore, EPS USA is a connected person of the Company under Rule 14A.07 of the Listing Rules. Hence, the Transactions contemplated under the Framework Purchase Agreement constituted continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of applicable percentage ratios in respect of the amount of the Transactions for the financial year ended 31 March 2023 exceeds 0.1% but less than 5%, it is subject to the reporting, announcement and annual review requirements in respect of the Transactions under Chapter 14A of the Listing Rules.

As the highest of applicable percentage ratios in respect of the amount of the Transactions contemplated under the Framework Purchase Agreement exceeds 5% and the consideration exceeds HK\$10,000,000 on an annual basis, the Transactions and matters contemplated under the Framework Purchase Agreement as well as the 2023-2026 Annual Caps are subject to the reporting, announcement, circular, annual review and the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

EPS Holdings and its associates shall abstain from voting in favour of the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps at the EGM. Save for EPS Holdings, to the best knowledge, information and belief of the Directors, no other Shareholders or any of their respective associates have a material interest in the Framework Purchase Agreement and the transactions contemplated thereunder, and accordingly are required to abstain from voting at the EGM.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on whether the terms and the 2023-2026 Annual Caps under the Framework Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. With the approval of the Independent Board Committee, Veda Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be convened by the Company to seek the approval from the Independent Shareholders for the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps by way of poll. As at the date of this announcement, EPS Holdings being the controlling shareholder of the Company who beneficially holding 375,000,000 Shares representing approximately 75.0% of the existing issued share capital of the Company, would be the connected person of the Company. Furthermore, EPS USA is a wholly-owned subsidiary of EPS Holdings, therefore, EPS USA is a connected person of the Company under Rule 14A.07 of the Listing Rules. Hence, EPS Holdings together with its associates, will abstain from voting at the EGM.

GENERAL

A circular containing, amongst other things, (i) details of the Framework Purchase Agreement; (ii) the recommendation of the Independent Board Committee; (iii) the letter from the Independent Financial Adviser; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before 31 August 2023, as additional time is required for the preparation of certain information for inclusion in the circular.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“2023-2026 Annual Caps”	the annual caps in respect of the Transactions for the three financial years ending 31 March 2026
“Acquisition”	the acquisition of the entire equity interests in EP Trading by EPS Healthcare pursuant to the terms and conditions of the Sale and Purchase Agreement
“Board”	the board of Directors

“Company”	EPS Creative Health Technology Group Limited, a company incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the entering into of the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps, are approved by the Independent Shareholders at the EGM
“EGM”	the extraordinary general meeting to be held by the Company for the purpose of considering and approving the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps
“EP Trading”	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 whose registered office at 6F, Kagurazaka AK Building, 1-8 Tsukudocho, Shinjuku-ku, Tokyo, 162-0821 and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“EPS Ekishin”	EPS Ekishin Co., Ltd*, a company incorporated in Japan with limited liability which is owned as to 65% by EPS Holdings, Inc., the controlling shareholder of the Company, being a connected person of the Company as at the date of this announcement
“EPS Healthcare”	EPS Healthcare Limited (創健商貿有限公司), a company established in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company as at the date of this announcement
“EPS Holdings”	EPS Holdings, Inc. is wholly-owned by Shinyou KK, a company incorporated in Japan which is owned as to approximately 71.80% by Y&G Limited which is wholly-owned by Mr. Yan Hao and the remaining 28.20% equity interest of EPS Holdings are owned as to 20.00% by Suzuken Co., Ltd, 2.32% by Mr. Yan Hao, 0.51% by each of Tashiro Shinro, Nagaoka Tatsuma and Hirosaki Shinji, respectively, 2.11% by Yu Huanrang, and approximately 2.24% by others as at the date of this announcement

“EPS USA”	EPS Americas Corp, a company incorporated in United States with limited liability whose registered office at 1710 W Roanoke Dr, Arlington Heights, IL 60004 United States and a wholly-owned subsidiary by EPS Holdings and is a connected person of the Company under the Listing Rules as at the date of this announcement
“Framework Purchase Agreement”	the framework purchase agreement entered into between EP Trading and EPS USA in relation to the purchase of Products by EP Trading from EPS USA for the three financial years ending 31 March 2026 as at the date of this announcement
“Group”	the Company and its subsidiaries from time to time
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors to be established to advise the Independent Shareholders on the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps
“Independent Financial Adviser”	Veda Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps
“Independent Shareholders”	Shareholders other than EPS Holdings
“Independent Third Party(ies)”	party(ies) which is/are independent of the Group and the connected persons of the Company
“JPY”	Japanese Yen, the lawful currency of Japan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Selling Price”	the total acquisition costs of Products purchased by EPS USA from the Supplier(s)

“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Products”	pre-clinical animal testing consumables including purified diets for lab animals, animal bedding, animal cage and other consumables
“Sale and Purchase Agreement”	the sale and purchase agreement dated 7 December 2022 and entered into between EPS Healthcare and EPS Ekishin in relation to the Acquisition
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplier(s)”	supplier(s) who sell Products to EPS USA, and is/are Independent Third Party(ies) as at the date of this announcement to the best of the knowledge, information and belief of the Directors
“Transactions”	the purchase of Products by EP Trading from EPS USA
“Yikun”	Yikun (Shanghai) Trading Co., Ltd.* (益坤(上海)商貿有限公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of EP Trading as at the date of this announcement
“%”	per cent.

The English transliteration of the Japanese and Chinese name(s) in this announcement, where indicated with “”, is included for information purpose only, and should not be regarded as the official English name(s) of such Japanese and Chinese name(s).*

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

Hong Kong, 27 July 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.

** For identification purpose only*