EPS Creative Health Technology Group Limited

(Incorporated in the Cayman Islands with limited liability)

(HKEX Stock code: 3860)

2022/2023

ANNUAL REPORT

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BOARD OF DIRECTORS

Executive Directors

Mr. Okoso Satoshi *(Chairman and Chief executive officer) (re-designated to an executive director and appointed as the chief executive officer on 12 July 2022)*
Mr. Miyano Tsumoru *(Managing Director) (appointed on 12 July 2022)*
Mr. Haribayashi Keikyo
Mr. Maezaki Masahiro *(appointed on 22 August 2022)*
Mr. Gao Feng *(resigned as Chief executive officer on 12 July 2022)*

Non-executive Director

Mr. Xia Xiangming *(appointed on 12 July 2022)*
Mr. Liang Fei *(resigned on 12 July 2022)*

Independent non-executive Directors

Mr. Taguchi Junichi
Mr. Choi Koon Ming
Mr. Chan Cheuk Ho

COMPANY SECRETARY

Mr. Chiu Chun Tak

AUTHORISED REPRESENTATIVES

Mr. Gao Feng
Mr. Chiu Chun Tak

AUDIT COMMITTEE

Mr. Chan Cheuk Ho *(Chairman)*
Mr. Choi Koon Ming
Mr. Xia Xiangming

REMUNERATION COMMITTEE

Mr. Choi Koon Ming *(Chairman)*
Mr. Haribayashi Keikyo
Mr. Chan Cheuk Ho

NOMINATION COMMITTEE

Mr. Taguchi Junichi *(Chairman)*
Mr. Miyano Tsumoru
Mr. Chan Cheuk Ho

AUDITOR

Deloitte Touche Tohmatsu
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
35/F One Pacific Place, 88 Queensway, Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat A, 17/F., Gemstar Tower
23 Man Lok Street, Hung Hom
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Michael Li & Co

PRINCIPAL BANKERS

MUFG Bank, Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Shanghai Commercial Bank Limited

COMPANY'S WEBSITE

www.epshk.hk

STOCK CODE

3860

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "**Director(s)**") of EPS Creative Health Technology Group Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2023 (the "**Reporting Period**").

BUSINESS OVERVIEW

The global economy was gradually recovering from the outbreak of the COVID-19 pandemic during the Reporting Period. While, 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 Group recorded a revenue of approximately HK$381.5 million for the Reporting Period in the apparel segment, representing a decrease of approximately 10.2% as compared to approximately HK$424.6 million for the year ended 31 March 2022. The gross profit in the apparel segment of the Group for the Reporting Period amounted to approximately HK$61.8 million (for the year ended 31 March 2022: restated as approximately HK$62.5 million).

On the healthcare segment, the Group has been certainly enhancing the necessary functions in the healthcare products business and Innovative Research Organization ("**IRO**") business through the acquisitions during the Reporting Period. In addition, on the In-house R&D business, the Group has made steady progress in each on-going project.

PROSPECTS

The unstable economic environment surrounding the garment business of the Group including the prolonged depreciation of Japanese Yen which is one of causes of negative impact to the major clients of the Group in Japan is expected to continue. The Group will keep paying special attention to the development of the domestic and international epidemic and changes in the markets to agilely respond and focus on provision of the supply chain management services to bring higher added value. 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 healthy lifestyle.

On the healthcare segment, the Group will continuously respond to various client's needs amid structural changes on both the People's Republic of China (the "**PRC**") and Japan healthcare industry market including expanding demand of academic institutions and biotech ventures, increasingly rigorous and complex drug development and increasing demand for outbound products and services from the PRC to Japan market. The Group will also continuously focus on broadening the scope of businesses from pharmaceuticals to medical devices, diagnostic drugs, consumer healthcare products and health foods to the healthcare industry as a whole and looking for suitable channel for demands of inbound/outbound between the PRC to Japan markets interactively. The Group is enhancing the necessary functions step by step toward our vision which is to create the business co-creation platform satisfying a wide range of needs and demands from developing and manufacturing to distributing in the healthcare industry in the PRC and Japan as a business development partner.

APPRECIATION

On behalf of the Board, I wish to take this opportunity to extend my sincere appreciation to the Group's management and staff for their commitment and dedication throughout the year. I would also like to express my heartfelt gratitude to all of our business partners, customers, suppliers and the shareholders (the "**Shareholders**") of the Company for their continuous support.

EPS Creative Health Technology Group Limited
Okoso Satoshi
Chairman and executive Director

Hong Kong, 29 June 2023

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 in this segment amounted to approximately HK$61.8 million (for the year ended 31 March 2022: restated as 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 (the "**Acquisition**") 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: restated as 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 CROs 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 a 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: restated as 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 restated as 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
	2023		2022		Change
	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	**381,500**	**100**	424,638	100	(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				
	2023 Pieces '000	**%**	2022 Pieces '000	%	Rate of Change %
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	**4,578**	**100**	5,769	100	(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		
	2023 Average selling price (Note) HK$	2022 Average selling price (Note) HK$	Rate of change %
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	**83.3**	73.6	13.2

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$13.0 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 Sale 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 COMMITMENTS

The Group has capital commitments 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$38.8 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 with 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 (Healthcare Products Business and IRO with CRO and In-house R&D Business)

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.

EXECUTIVE DIRECTORS

Mr. Okoso Satoshi (大社聡) ("**Mr. Okoso**"), aged 64, was re-designated from a non-executive Director to an executive Director and was appointed as the Chief Executive Officer with effect from 12 July 2022. Mr. Okoso is an executive officer of EPS Holdings, Inc. ("**EPS Japan**"), a company incorporated in Japan in 1991 with limited liability, the shares of which were formerly listed on the Tokyo Stock Exchange (stock code: 4282.T) until September 2021, which is a controlling shareholder (as defined under the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")) of the Company and has over 36 years of experience in clinical research, pharmacoepidemiology and healthcare industry. Mr. Okoso joined EPS Japan in 2015 and prior to joining EPS Japan, Mr. Okoso worked and held senior management positions at several clinical research and pharmaceutical companies in Japan. Mr. Okoso graduated from the Department of Agriculture and Veterinary Medicine of Nihon University; and worked on pharmacoepidemiological research in the Graduate School of Medicine and Faculty of Medicine of the University of Tokyo.

Mr. Okoso did not hold other directorship in any other listed or public companies, of which the securities are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Miyano Tsumoru (宮野積) ("**Mr. Miyano**"), aged 57, was appointed as an executive Director with effect from 12 July 2022. Mr. Miyano joined EPS Japan in January 2002 and has over 32 years of experience in the domestic pharmaceutical industry in Japan and has extensive experience in business development and marketing. From 2005 up to 2016, Mr. Miyano had been the executive director of Simian Conservation Breeding & Research, Inc. Mr. Miyano graduated from the Faculty of Agriculture of the Tokyo University of Agriculture and Technology in March 1991.

Mr. Miyano did not hold other directorship in any other listed or public companies, of which the securities are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Haribayashi Keikyo (張林慶橋) ("**Mr. Hari**"), aged 55, was appointed as an executive Director with effect from 1 June 2021. Mr. Hari is the manager of finance office of the finance & accounting department of EPS Japan. Mr. Hari holds a bachelor's degree in accountancy from Fuzhou University in the PRC and a master degree in business administration from Yokohama National University in Japan. Prior to joining EPS Japan, Mr. Hari has over 22 years' extensive experience by working in an international audit firm and other Japanese companies.

Mr. Hari did not hold other directorship in any other listed or public companies, of which the securities are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Maezaki Masahiro (前崎匡弘) ("**Mr. Maezaki**"), aged 53, was appointed as an executive Director with effect from 22 August 2022 and is the Head of Center of Management Planning & Promotion Division of EPS Japan. Mr. Maezaki joined EPS Japan in April 2022 and has over 30 years of experience in corporate banking and management. Prior to joining EPS Japan, Mr. Maezaki had been the Deputy General Manager of Shinbashi Branch of MUFG Bank, Ltd., Assistant General Manager of The Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad and the Manager of the Shanghai Branch of The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mr. Maezaki graduated from the Faculty of Commerce and Economics of The Kinki University in 1992.

Mr. Maezaki did not hold other directorship in any other listed or public companies, of which the securities are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Gao Feng (高峰) ("**Mr. Gao**"), aged 56, was appointed as an executive Director with effect from 1 June 2021. He has been appointed as a LR Authorised Representative and a CO Authorised Representative, all with effect from 30 June 2021. Mr. Gao holds a bachelor of science degree from Peking University. Mr. Gao has extensive experience in corporate planning and management of enterprises in the PRC and had held senior management positions in several multinational technology companies in the PRC.

Mr. Gao did not hold other directorship in any other listed or public companies, of which the securities are listed on any securities market in Hong Kong or overseas in the last three years.

NON-EXECUTIVE DIRECTOR

Mr. Xia Xiangming (夏向明) ("**Mr. Xia**"), aged 61, was appointed as a non-executive Director with effect from 12 July 2022. Mr. Xia has been an executive officer of EPS Japan since October 2018. Prior to that, Mr. Xia had been the general manager and deputy chairman of EPS CHINA CO., LTD from December 2008 to October 2018, the chief representative of 日本Conress株式會社北京事務所* (the Beijing office of Japan Conress Kabushiki Kaisha) from December 2002 to October 2018 and the head of division, deputy chief and general representative in Japan of the China Council for the Promotion of International Trade from July 1987 to December 2002. Mr. Xia obtained a bachelor's degree from Okayama University of Science in March 1985 and a master's degree in Science from the Graduate School of Science of Okayama University in March 1987.

Mr. Xia did not hold other directorship in any other listed or public companies, of which the securities are listed on any securities market in Hong Kong or overseas in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Taguchi Junichi (田口淳一) ("**Mr. Taguchi**"), aged 64, was appointed as an independent non-executive Director with effect from 30 June 2021 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is the chairman of the nomination committee of the Company. Mr. Taguchi obtained a bachelor's degree in Faculty of Medicine of University of Tokyo and a doctorate of medicine and of philosophy from the University of Tokyo.

Mr. Taguchi has extensive experience in the fields of specialising in general medicine, clinical genetics (multifactorial disorder, familial tumor), circulatory medicine (ischemic heart disease, atherosclerosis, hypertension, cardiac rehabilitation) and clinical oncology (clinical cancer immunity) for over 32 years and has held senior positions in several renowned medical institutions in Japan. Mr. Taguchi is the president of Tokyo Midtown Clinic. In addition, Mr. Taguchi has been employed as a visiting professor of the Tokyo Medical University since 2014.

Mr. Taguchi has also been appointed as an outside director of Cancer Intelligence Care Systems, Inc. since 2020, and has been an outside director and independent director of EPS Japan since 20 December 2019.

Save as the aforesaid, Mr. Taguchi did not hold other directorship in any other listed or public companies, of which the securities are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Choi Koon Ming (蔡冠明) ("**Mr. Choi**"), aged 55, was appointed as an independent non-executive Director with effect from 30 June 2021 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is the chairman of the remuneration committee and a member of the audit committee of the Company. Mr. Choi holds a Bachelor of Arts degree from the University of British Columbia and has over 27 years of experience in the financing activities of corporate and property mortgage, real estate development and property investment.

Mr. Choi has been the chief executive officer of Sunwah Kingsway Capital Holdings Limited ("**Sunwah Kingsway**", stock code: 188.HK) since 2010 and an executive director of Sunwah Kingsway since 2000. Mr. Choi has also been the non-executive director of China New Economy Fund Limited (stock code: 80.HK) since February 2022.

Save as the aforesaid, during the last three years, Mr. Choi was a director of Sunwah International Limited, the shares of which were listed on Toronto Stock Exchange up until 14 June 2021 at which point it was privatized.

Mr. Chan Cheuk Ho (陳卓豪) ("**Mr. Chan**"), aged 56, was appointed as an independent non-executive Director with effect from 9 July 2021 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is the chairman of the audit committee and a member of both the remuneration committee and the nomination committee of the Company. Mr. Chan obtained a bachelor's degree in business administration from the Chinese University of Hong Kong in 1989 and a master's degree in business administration from the University of Manchester in 2003. Mr. Chan has been a fellow member of the Hong Kong Institute of Certified Public Accountants since 2003.

In the past 20 years, Mr. Chan has been the finance director, financial controller and company secretary of several companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). He is currently an independent non-executive director of Eagle Nice (International) Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2368) since November 2002.

He is currently also the company secretary of Pine Technology Holdings Limited ("**Pine Technology**"), the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1079) since July 2017 and SuperRobotics Holdings Limited, the issued shares of which are listed on GEM Board of the Stock Exchange (stock code: 8176) since May 2022 respectively.

He was previously an executive director of Pine Technology from June 2017 to May 2022 and Wai Chun Bio-Technology Limited ("**Wai Chun Bio-Technology**"), the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 660), from July 2022 to March 2023.

He was previously also an independent non-executive director of Wai Chun Bio-Technology from November 2020 to July 2022 and an independent non-executive director of Wai Chun Group Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1013) from March 2022 to July 2022.

Save as the aforesaid, Mr. Chan did not hold other directorship in any other listed or public companies, of which the securities are listed on any securities market in Hong Kong or overseas in the last three years.

SENIOR MANAGEMENT

Mr. Chiu Chun Tak (趙俊德) ("**Mr. Chiu**"), aged 59, has been appointed as the Company Secretary, a LR Authorised Representative and a CO Authorised Representative, all with effect from 30 June 2021.

Mr. Chiu graduated from the Hong Kong Polytechnic University majoring in accounting. He has over 32 years of experience in overseeing accounting, auditing, corporate finance, merger and acquisition, taxation and company secretarial business. He is a Hong Kong practicing CPA and a fellow member of Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Mr. Chiu was the founder of C.T. Chiu & Co., CPA and has also worked in a multinational company.

Mr. Chiu has not held any directorship in any public listed company during the three years immediately preceding the date of this annual report.

Mr. Chan Wing Kai (陳永啟), aged 54, joined the Group in November 2015, current as a director and the chief executive officer of the Group's garment business. He was responsible for the operation and management of the Group's garment business since he joined the Group. Mr. Chan Wing Kai completed his secondary education in Hong Kong in 1987. He obtained a Level 1 certificate of the Japanese Language Proficiency Test in February 1990. He completed a course entitled "Professional certificate in business management" co-organised by Li Ka Shing Institute of Professional and Continuing Education, The Open University of Hong Kong and ET Business College in November 2008. Mr. Chan Wing Kai has more than 31 years of sales and merchandising experience in the apparel industry. Prior to joining the Group, he had been employed by South Overseas Fashion Limited from March 1990 to March 1995 and he was dispatched to Yamaichi Nitto Company Limited in Japan for on-the-job training from March 1993 to February 1994. He then worked for a knitwear manufacturing company, a subsidiary of South Asia Textiles (Holdings) Limited from 1995 to 2000.

In the last three years, Mr. Chan Wing Kai served as an executive director of the Company and resigned in June 2021.

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 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 and the code of conduct concerning securities transactions by the Directors for the year ended 31 March 2023.

BOARD OF DIRECTORS

Composition of the Board

Currently, the Board comprises:

Executive Directors
Mr. Okoso Satoshi (Chairman and chief executive officer)
(re-designated to an executive director and appointed as
the chief executive officer on 12 July 2022)
Mr. Miyano Tsumoru (appointed on 12 July 2022)
Mr. Haribayashi Keikyo
Mr. Maezaki Masahiro (appointed on 22 August 2022)
Mr. Gao Feng (resigned as chief executive officer on 12 July 2022)

Non-executive Directors
Mr. Xia Xiangming (appointed on 12 July 2022)
Mr. Liang Fei (resigned on 12 July 2022)

Independent non-executive Directors
Mr. Taguchi Junichi
Mr. Choi Koon Ming
Mr. Chan Cheuk Ho

The biographical information of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 20 to 23 of this annual report.

There was no financial, business, family or other material relationship among the Directors save as disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

Regular Board meetings will be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

GENERAL MEETINGS

All Directors attended the annual general meeting of the Company on 18 August 2022.

BOARD MEETINGS

The attendance records of each Director at the Board meetings held for the year ended 31 March 2023 are set out in the table below:

Name of Directors	Board meetings attended/ eligible to attend
Mr. Okoso Satoshi	20/20
Mr. Miyano Tsumoru	18/18
Mr. Haribayashi Keikyo	21/21
Mr. Maezaki Masahiro	14/14
Mr. Gao Feng	19/20
Mr. Xia Xiangming	19/19
Mr. Taguchi Junichi	24/25
Mr. Choi Koon Ming	26/26
Mr. Chan Cheuk Ho	26/26
Mr. Liang Fei	2/2

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. All the Directors shall make decisions objectively in the interests of the Company. The Board focuses on (i) formulating the Group's overall strategies; (ii) authorising the development plans and budgets; (iii) monitoring financial and operating performance; (iv) reviewing the effectiveness of the Group's internal control system; and (v) setting the Group's values and standards. The day-to-day management, administration and operations of the Group are delegated to the executive Directors and the senior management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

During the reporting period, the Company had a minimum of three independent non-executive Directors and at all times met the requirements of the Listing Rules that the number of independent non-executive Directors must represent at least one-third of the Board members and at least one of the independent non-executive Directors had appropriate professional qualifications or accounting or related financial management expertise. Independent non-executive Directors are invited to serve on the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") of the Company.

The Company has arranged appropriate insurance coverage on the liabilities of the Directors of the Group in respect of any legal actions taken against the Directors arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as (i) developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional developments of the Directors and senior management of the Company, and (ii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and developing, reviewing and monitoring the code of conduct of the Directors, etc.

The Board holds meetings from time to time whenever necessary. At least 14 days' notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board documents and related materials are deliverable to all Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents. Draft minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The company secretary of the Group is responsible for keeping the minutes of all meetings of the Board and the Company's committees. Every Board member has full access to the advice and services of the company secretary of the Group with a view to ensure that all required procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board documents and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. During the reporting period, the Group has complied with the CG Code, save as the deviation from the code provision C.2.1 of the CG Code. 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 since 12 July 2022. 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.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The articles of association of the Company (the "**Articles**") provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the Listing Rules, at each AGM, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement at the annual general meeting ("**AGM**") of the Company by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles. Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his independence and must provide an annual confirmation of his independence to the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contributions to the Board remains informed and relevant. Every newly appointed Director will receive a formal, comprehensive and tailored induction on the first occasion of his appointment to ensure an appropriate understanding of the business and operations of the Company and his full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Directors are encouraged to participate in appropriate continuous professional trainings at the Company's expenses to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors will be arranged and reading materials on relevant topics will be provided to Directors where appropriate. A record of the training received by the respective Directors should be maintained and updated by the company secretary of the Company. All the Directors also understand the importance of continuous professional developments and are committed to participating any suitable training to develop and refresh their knowledge and skills.

During the reporting period, all the Directors namely Mr. Okoso Satoshi, Mr. Miyano Tsumoru, Mr. Haribayashi Keikyo, Mr. Maezaki Masahiro, Mr. Gao Feng, Mr. Xia Xiangming, Mr. Taguchi Junichi, Mr. Choi Koon Ming and Mr. Chan Cheuk Ho had participated in appropriate continuous professional development training sessions and relevant training records have been maintained by the Company for accurate and comprehensive record keeping.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee on 23 January 2017, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee, respectively, are available on the websites of the Stock Exchange and the Company.

AUDIT COMMITTEE

The Audit Committee 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), Mr. Choi Koon Ming and Mr. Xia Xiangming, being two independent non-executive Directors and a non-executive Director respectively. No member of the Audit Committee is a member of the former or existing independent auditor of the Company in the last two years. The Audit Committee has reviewed this annual report, including the audited consolidated results of the Group for the year ended 31 March 2023.

According to the current terms of reference, the Audit Committee shall meet at least two times for a financial year. Four meetings were held by the Audit Committee for the year ended 31 March 2023 to (i) review and discuss the audited annual results and the unaudited interim financial results of the Group; (ii) discuss and consider the issues arising from the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems; (iii) review and recommend the appointment of external auditors and relevant scope of works; (iv) review and consider continuing connected transactions; and (v) review and consider the enforcement of the Company's controlling shareholders' undertaking in relation to the deed of non-competition executed in favour of the Company. The attendance records of each member of the Audit Committee is set out as follows:

Name of members of the Audit Committee	Meeting(s) attended/ eligible to attend
Mr. Chan Cheuk Ho	2/2
Mr. Choi Koon Ming	2/2
Mr. Xia Xiangming (appointed on 12 July 2022)	1/1
Mr. Liang Fei (resigned on 12 July 2022)	1/1

Amongst two meetings held by the Audit Committee, one of which was meeting with the external auditors without the presence of executive Directors to discuss issues relating to the audit and financial reporting matters for the year ended 31 March 2023.

REMUNERATION COMMITTEE

The Remuneration Committee was established with terms of reference in compliance with Rules 3.25 to 3.26 of the Listing Rules and code provision E.1.2 of the CG Code. The Remuneration Committee currently consists of three members, namely Mr. Choi Koon Ming (the Chairman of the Remuneration Committee), Mr. Haribayashi Keikyo and Mr. Chan Cheuk Ho, being an independent non-executive Director, an executive Director and an independent non-executive Director respectively.

The primary duties of the Remuneration Committee are to (i) assess performance of executive Directors and approving the terms of executive Directors' service contracts; (ii) make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; (iii) review other performance-based remuneration; and (iv) ensure none of the Directors or any of his associates (as defined in the Listing Rules) determine his own remuneration.

Four meetings were held by the Remuneration Committee for the year ended 31 March 2023. In the meeting, the Remuneration Committee discussed and reviewed, among other things, the remuneration packages of the Directors and senior management. The attendance record of each member of the Remuneration Committee is set out as follows:

Name of members of the Remuneration Committee	Meeting attended/ eligible to attend
Mr. Choi Koon Ming	4/4
Mr. Haribayashi Keikyo	4/4
Mr. Chan Cheuk Ho	4/4

Details of emoluments of the Directors and senior management of the Group for the year ended 31 March 2023 are set out in note 11 to the consolidated financial statements in this annual report.

NOMINATION COMMITTEE

The Nomination Committee was established with terms of reference in compliance with code provision B.3.1 of the CG Code. The Nomination Committee consists of three members, namely Mr. Taguchi Junichi (the Chairman of the Nomination Committee), Mr. Miyano Tsumoru and Mr. Chan Cheuk Ho, being an independent non-executive Director, an executive Director and an independent non-executive Director respectively.

The primary duties of the Nomination Committee are to (i) review the structure, size, composition and diversity of the Board at least annually; (ii) identify individuals suitably qualified to become Board members; (iii) assess the independence of independent non-executive Directors; and (iv) make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors.

One meeting was held by the Nomination Committee for the year ended 31 March 2023. In the meeting, the Nomination Committee discussed and reviewed, among other things, (i) the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the Group's business and is in compliance with the requirements of the Listing Rules; (ii) the recommendation to the Board on re-election of retiring Directors at the forthcoming AGM; and (iii) the assessment of the independence of the independent non-executive Directors. The attendance records of each member of the Nomination Committee is set out as follows:

Name of members of the Nomination Committee	Meeting attended/ eligible to attend
Mr. Taguchi Junichi	1/1
Mr. Miyano Tsumoru (appointed on 12 July 2022)	0/0
Mr. Chan Cheuk Ho	1/1
Mr. Gao Feng (resigned on 12 July 2022)	1/1

ACCOUNTABILITY AND AUDIT

Financial reporting

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group for the year ended 31 March 2023 that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by The Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements of the Group. The Directors aim to present a balanced and understandable assessment of the Group's financial position and prospects with timely publication of the consolidated financial statements of the Group. As at 31 March 2023, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubts upon the Group's ability to continue as a going concern. The responsibility of the external auditor is to form an independent opinion, based on their audit, on the Group's consolidated financial statements prepared by the Directors and to report its opinion to the Shareholders. A statement by the external auditor, Deloitte Touche Tohmatsu, Certified Public Accountants ("**Deloitte**"), about their reporting responsibility is set out in the independent auditor's report from pages 79 to 83 of this annual report.

Internal control and risk management

The Board is responsible for overseeing and reviewing the Group's internal control and risk management systems as well as monitoring its effectiveness on an ongoing basis. The Directors recognise the need for risk management and internal control in the Group's strategic and operational planning, day-to-day management and decision making process and are committed to manage and minimise the risks that may impact on the continued efficiency and effectiveness of the Group's operations or prevent the Group from achieving its business objectives. The Board with the assistance of the Audit Committee annually reviews the effectiveness of the internal control and risk management systems.

The Group currently has no internal audit function. The Directors reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs.

During the year ended 31 March 2023, the Group engaged an independent external consulting firm as the Group's internal control adviser (the "**Internal Control Adviser**") to undertake a review and an assessment of the Group's internal control environment and operating cycles in the aspects of (i) policies and procedures on ethics and combating fraud and corruption; (ii) financial closure and reporting process; and (iii) cash and treasury. The review process involved system documentations, testing, interviews and assessment of the effectiveness of the internal control and risk management systems of the Group.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Subsequently, improvements in internal control and risk management measures, as recommended by the Internal Control Adviser, to enhance the internal control and risk management systems of the Group and to mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of the Internal Control Adviser, as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems are effective and adequate.

NON-COMPETITION UNDERTAKINGS

The independent non-executive Directors have reviewed the enforcement of the controlling shareholders' undertakings in relation to the deed of non-competition executed in favour of the Company. Details of which were set out in the prospectus (the "**Prospectus**") of the Company dated 16 May 2017. The Board confirmed that there are no other matters in relation to the aforesaid undertakings which should be brought to the attention of the Shareholders for the year ended 31 March 2023.

AUDITOR'S REMUNERATION

The amount of fees charged by the external auditors generally depends on the scope and volume of the external auditors' work performed. For the year ended 31 March 2023, the fees paid or payable to the external auditors of the Company in respect of the statutory audit services and non-audit services for the Group are as follows:

Services rendered	**Fees paid/ payable** *HK$'000*
Statutory audit services	1,600
Non-audit services	Nil
Total	1,600

COMPANY SECRETARY

Mr. Chiu Chun Tak was appointed as the company secretary of the Group (the "**Company Secretary**") on 30 June 2021. The biographical details of Mr. Chiu are disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report. For the year ended 31 March 2023, the Company Secretary undertook no less than 15 hours of professional training to update his skills and knowledge in compliance with Rule 3.29 of the Listing Rules.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "**Board Diversity Policy**") on 28 December 2018. The Board Diversity Policy aimed to set out the approach to achieve diversity of the Board. A summary of the Board Diversity Policy, together with the measurable objectives for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed below:

Summary of the Board Diversity Policy

In determining the composition of the Board, the Company will consider from a number of aspects in terms of, among other things, gender, age, cultural and educational background, or professional experience. All Board appointments will be based on meritocracy, candidates will be considered against objective criteria and having due regard for the benefits of diversity on the Board.

Measurable objectives

Selection of candidates as Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, expertise or professional experience. The Board intends to maintain at least one female Director in the Board going forward. The ultimate decision will be based on merits and contributions which the selected candidates will bring to the Board.

Monitoring and reporting

The Nomination Committee will disclose annually, in the corporate governance report, on the Board's composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, expertise, or professional experience), and monitor the implementation of this policy.

Review of the Board Diversity Policy

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness. The Nomination Committee will discuss any revision that may be required and recommend any such revision(s) to the Board for consideration and approval.

During the year, the Nomination Committee has reviewed the diversity of the Board and considered that the Company has achieved the measurable objectives of the Board Diversity Policy in terms of age, educational background, professional experience, skills, knowledge and length of services. The Nomination Committee has also reviewed the implementation and effectiveness of the Board Diversity Policy and considered them satisfactory.

Currently, the Board consists of male members. The Nomination Committee will continue to monitor the implementation of the Board Diversity Policy and the progress on achieving those measurable objectives and will review the Board Diversity Policy on a regular basis to ensure its continuing effectiveness.

NOMINATION POLICY

The Board adopted a nomination policy (the "**Nomination Policy**") initially on 28 December 2018 and amended on 11 December 2019. A summary of the Nomination Policy, together with the selection criteria and the nomination procedures made towards achieving those objectives are disclosed below:

Summary of the Nomination Policy

The Nomination Policy provides the key selection criteria and general principles of the Nomination Committee in making any recommendation on the appointment and re-appointment of the Directors. It aims to ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Group's business.

Selection criteria

When making recommendation(s) regarding the appointment of any proposed candidate(s) for directorships to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a number of criteria including but not limited to the followings:

(a) Reputation for integrity;

(b) Accomplishment, experience and reputation in the apparel industry and other relevant sectors;

(c) Commitment in respect of sufficient time, interest and attention to the Group's business;

(d) Potential contributions he/she will bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

(e) The ability to assist and support management and make significant contributions to the Group's success;

(f) Compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive Director; and

(g) Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Articles and other applicable rules and regulations. The progress made towards achieving the objectives set out in the Nomination Policy will be disclosed periodically in the corporate governance report of the Company.

Nomination procedures

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

(a) The secretary of the Nomination Committee shall convene a meeting, and invite nomination of candidates from Board members (if any), for consideration by the Nomination Committee. The Nomination Committee may also nominate candidates for its consideration;

(b) In the context of appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval;

(c) In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting;

(d) The section headed "Procedures for Shareholders to Propose a Director" in this corporate governance report sets forth the procedures for Shareholders' nomination of any proposed candidate for election as a Director; and

(e) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting, and the ultimate responsibility for selection and appointment of Directors is at the discretion of the Board.

Review of Nomination Policy

The Nomination Policy has been approved by the Board. Any subsequent amendment of the Nomination Policy shall be reviewed by the Nomination Committee and approved by the Board to ensure that it remains relevant to the Group's needs and reflects both current regulatory requirements and good corporate governance practices.

MECHANISM TO ENSURE INDEPENDENT VIEWS FROM DIRECTORS

To ensure independent views and input from any Director, the following mechanism is established by the Board:

1. **Independence Assessment**

   Each of the independent non-executive Directors shall provide a written annual confirmation of independence to the Company on their compliance with the independence requirements as set out under Rule 3.13 of the Listing Rules. The Nomination Committee shall assess the independence of independent non-executive Directors upon appointment and annually to ensure they can continually exercise independent judgement.

2. **Composition of Board**

   Currently, one-third of the Board members are independent non-executive Directors, which meets the requirement of the Listing Rules that at least one-third of the Board are independent non-executive Directors.

3. **Board Proceedings and Decision Making**

   At least 14 days' notice of regular Board and Board committee meetings will be given to all Directors, and all Directors are invited to include any matters for discussion in the agenda. By at least 3 days in advance of every regular Board and Board committee Meeting, Directors are provided with the meeting agenda and the relevant board papers containing complete, adequate and timely information to enable full deliberation on the issues to be considered at the respective meetings.

   All Directors are required to declare their direct/indirect interests, if any, in any business proposals to be considered at the meetings and, where appropriate, they are required to abstain from voting on any Board resolution concerned.

   Independent non-executive Directors should attend all regular meetings of the Board and Board committees on which they serve. They should also attend general meetings of the Company to acquire understanding of the views of the Shareholders.

4. **Remuneration of Independent Non-executive Directors**

   Independent non-executive Directors receive fixed fee(s) for their role as members of the Board and Board committees and no equity-based or incentive based compensation program is granted to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

5. **Access to Professional Advice and Up-to-date Information**

The Company Secretary provided induction pack and orientation program for all new recruits to the Board. Such program would familiarise the newly appointed Director with the nature of the business, the corporation's strategy, the internal control and corporate governance practices and policies, and directors' duties and responsibilities. Subsequent information packages are regularly provided to the Directors to keep them abreast of their responsibilities and infuse them with new knowledge relevant to the Group's current business and operating environment.

To facilitate proper discharge of Directors' duties and responsibilities, all Directors (including independent non-executive Directors) are entitled to seek advice from the Company Secretary as well as from independent professional advisers at the expense of the Company.

6. **Independent Views and Inputs Treasured and Valued**

During the Board and Board committee meetings, the independent non-executive Directors are encouraged to express freely their independent views and inputs in an open and candid manner. The chairman also encourages questions and challenges from Directors, in particular independent non-executive Directors and their comments and concerns are closely followed up by the management.

In addition to Board meetings, the chairman schedules a meeting annually with independent non-executive Directors without the presence of other Directors to discuss the affairs of the Group.

The Company Secretary is required to prepare minutes that record not only the decision reached but any concerns raised or dissenting views expressed by Directors. Draft versions of the minutes are circulated to all Directors for their comment and confirmation before it is finalised for records. Minutes of all Board and Board committee meetings are available for Directors' inspection.

The implementation and effectiveness of the above mechanisms have been reviewed by the Board on an annual basis and the Board believe these measures would allow Directors to contribute effectively and independent views and input are available to the Board and Board committees.

DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") on 28 December 2018. The Dividend Policy aims to set out the general principles and guidelines that the Company intends to apply in relation to the recommendation, declaration, payment or distribution of its net profits as dividends to the Shareholders. The Board shall take into account, inter alia, the followings:

(a) The Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value;

(b) The Company does not have any pre-determined dividend payout ratio;

(c) The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles and all applicable laws and regulations and the factors set out below;

(d) The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends:

- the financial results of the Group;
- the cash flow situation and possible effects on liquidity and financial positions of the Group;
- the business conditions and strategies;
- the future operations and earnings;
- the capital requirements and future expansion needs;
- the interests of Shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

(e) Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period as follows:

- an interim dividend;
- a final dividend;
- a special dividend; and
- any distribution of net profits that the Board may deem appropriate.

(f) Any final dividend for a financial year will subject to Shareholders' approval provided that no dividend shall be declared in excess of the amount recommended by the Board;

(g) The Company may declare and pay dividends by way of cash or scrip or by other means that the Board may deems appropriate; and

(h) Any dividend or bonuses unclaimed after a period of six years from the date of declaration shall be forfeited and shall revert to the Company in accordance with the Articles.

The Company will review the Dividend Policy as appropriate from time to time. The Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time. There is no arrangement under which a Shareholder has waived or agreed to waive any dividends during the year.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions can be proposed at Shareholders' meetings on each substantial issue, including the election of individual directors, for Shareholders' consideration and voting. All resolutions put forward at Shareholders' meeting will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange and the Company after the relevant Shareholders' meeting. An AGM shall be held each year and at the place as may be determined by the Board. Each general meeting, other than an AGM, shall be called an extraordinary general meeting ("**EGM**").

PROCEDURES FOR SHAREHOLDERS TO CONVENE EXTRAORDINARY GENERAL MEETING

The following procedures for Shareholders to convene an EGM are subject to the Articles (as amended from time to time), and the applicable legislations and regulations, in particular the Listing Rules (as amended from time to time):

(a) Any one or more Shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company (the "**Eligible Shareholder(s)**") carrying the right of voting at general meetings of the Company, shall at all times have the right, by a written requisition (the "**Requisition**") sent to the Company's principal place of business in Hong Kong as set out in the manner below, for the attention of the Board and/or the Company Secretary to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition;

(b) The Eligible Shareholder(s) who wish(es) to convene an EGM must deposit the Requisition with which stating the purposes of the meeting, signed by the Eligible Shareholder(s) concerned to the Board or the Company Secretary at the Company's principal place of business at Flat A, 17/F., Gemstar Tower, 23 Man Lok Street, Hung Hom, Kowloon, Hong Kong;

(c) The Requisition must state clearly the name(s) of the Eligible Shareholder(s) concerned, his/her/its shareholding(s), the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by Eligible Shareholder(s) concerned in accordance with the statutory requirements to all the Shareholders;

(d) The Requisition will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the Shareholders. On the contrary, if the Requisition has been verified but not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, an EGM will not be convened as requested; and

(e) If within 21 days from the date of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) may convene a meeting in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed by the Company to the Eligible Shareholder(s) concerned.

The notice period to be given to all the Shareholders for consideration of the proposal raised by the Eligible Shareholder(s) concerned should be at least 14 clear day's notice in writing and not less than 10 clear business days.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A DIRECTOR

Pursuant to Rule 13.51D of the Listing Rules, the Company sets out below the procedures to provide the Shareholders with detailed procedures by which they can follow for nominating a person for election as the Director(s):

(a) According to Article 85 of the Articles, no person other than a retiring Director at the meeting shall, unless recommended by the Board for election, be eligible for election as a Director at any general meeting unless (i) a written notice signed by the Shareholder(s) other than a proposed person (the "**Proposed Candidate**") who is/are duly qualified to attend and vote at the meeting stating his/her intention to propose the Proposed Candidate for election as a Director; and (ii) a written notice signed by the Proposed Candidate stating his/her willingness to be elected as a Director shall be validly served to the Board or the Company Secretary at the head office of the Company;

(b) The period for lodgement of such notices required under the aforesaid Article will commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days;

(c) In order to allow the Company to inform the Shareholders of the proposal and to enable the Shareholders to make an informed decision on their election at a general meeting, the written notice must state the full name of the Proposed Candidate and include his/her biographical details as required under Rule 13.51(2) of the Listing Rules and the Proposed Candidate's written consent to the publication of his/her personal data; and

(d) Upon receipt of the valid and verified written notices from the Shareholder(s) to propose the Proposed Candidate at the general meeting, the Company will then publish an announcement in accordance with the requirements under the Listing Rules or issue a supplementary circular. The particulars of the Proposed Candidate will be included in the announcement or supplementary circular of the Company.

RIGHT OF RAISING ENQUIRIES

Shareholders should direct their enquiries about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong (details of which are set out in the section headed "Corporate Information" of this annual report).

All any other enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by e-mail to info@epshk.hk for the attention of the Board and/or the Company Secretary.

Shareholders are reminded to lodge their enquiries together with their detailed contact information for the prompt response from the Company if it deems appropriate.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETING

There are no provisions allowing Shareholders to move new resolutions at the general meeting under the Companies Act. Cap. 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands. However, pursuant to the Articles, Shareholders who wish to move a resolution may by means of the Requisition convening an EGM following the procedures set out above.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its Shareholders and investors. These include the AGM, the annual and interim reports, notices, announcements, circulars and the Company's website at www.epshk.hk.

During the year, the Company has reviewed the implementation and effectiveness of the shareholders' communication policy through discussions amongst Board members during board meetings. The Company has reviewed communication activities and engagement with Shareholders conducted during the year and was satisfied with the implementation and effectiveness of the shareholders' communication policy which allowed Shareholders to engage actively with the Company.

CONSTITUTIONAL DOCUMENTS

On 1 January 2022, the Listing Rules were amended by, among others, adopting a uniform set of 14 core standards for shareholder protections for issuers regardless of their place of incorporation set out in Appendix 3 to the Listing Rules. The amended and restated memorandum and articles of association (the "New M&A") incorporating the amendments as detailed in the circular of the Company dated 15 July 2022 has been adopted upon the passing of a special resolution by the Shareholders at the annual general meeting of the Company held on 18 August 2022. The New M&A has been published on the websites of the Company and the Stock Exchange.

WHISTLEBLOWING POLICY

In compliance with code provision D.2.6 of the CG Code, the Board adopted a Whistleblowing Policy on 22 July 2022. It provides employees and the relevant third parties who deal with the Group (e.g. customers, suppliers, creditors and debtors) with guidance and reporting channels on reporting any suspected improprieties in any matters related to the Group directly addressed to the designated person. An email account (jchiu@epshk.hk) has been set up for this purpose. All reported matters will be investigated independently and, in the meantime, all information received from a whistleblower and its identity will be kept confidential. The Board and the Audit Committee will regularly review the Whistleblowing Policy and mechanism to improve its effectiveness.

ANTI-FRAUD AND ANTI-CORRUPTION POLICY

In compliance with the new code provision D.2.7 of the CG Code, the Board adopted an Anti-Fraud and Anti-Corruption Policy on 22 July 2022. It outlines guidelines and the minimum standards of conducts, all applicable laws and regulations in relation to the anti-corruption and anti-bribery, the responsibilities of employees to resist fraud, to help the Group defend against corrupt practices and to report any reasonably suspected case of fraud and corruption or any attempts thereof, to the management or through an appropriate reporting channel. The Group would not tolerate all forms of fraud and corruption among all employees and those acting in an agency or fiduciary capacity on behalf of the Group, and in its business dealing with third parties. The Board and the Audit Committee will review the Anti-Fraud and Anti-Corruption Policy and mechanism periodically to ensure its effectiveness and enforce the commitment of the Group to the prevention, deterrence, detection and investigation of all forms of fraud and corruption.

CORPORATE PURPOSE, STRATEGY AND CORPORATE CULTURE

The Board defines the purpose, values and strategy of the Company and considers that the Company's corporate culture is aligned. The Group is committed to investing in the apparel and healthcare industry, creating value for consumers, and to delivering attractive and sustainable returns to the Shareholders. Despite the ever-changing operating environment, the Group places strong emphasis on workplace safety, employee relations and the efficient use of materials, energy and resources, promoting a culture of ethical conduct and integrity. A healthy corporate culture is important to good corporate governance which is crucial for achieving sustainable long-term success of the Group.

ESG-RELATED MATTERS

The Company adheres to improving internal sustainability governance, strengthening the management and control of corporate development's impact on the environment and society, and creating value for our stakeholders. The Board has overall responsibility for the Company's ESG strategy and reporting, and oversees the overall ESG governance of the Company. In particular, the Board conducts a regular review of the Group's ESG-related matters and considered, among others, (i) the adequacy of resource, staff qualification and experience, training programmes and budget of those relating to Group's ESG performance and reporting; (ii) the changes, since the last annual review, in the nature and extent of significant ESG risks (if any); and (iii) the scope and quality of management's ongoing monitoring of ESG risks. For further details, please refer to the Company's Environmental, Social and Governance Report on page 43 to 65 of this annual report.

BOARD STATEMENT

The board of directors of the Group (the "**Board**") is pleased to present the Environmental, Social and Governance ("**ESG**") report (the "**ESG Report**"), prepared by EPS Creative Health Technology Group Limited (the "**Company**"), together with its subsidiaries (collectively, the "**Group**") to summaries the Group's ESG key issues, initiatives, and the sustainability performance of our principal business for the year ended 31 March 2023. The ESG Report is prepared in response to stakeholders' expectations and concerns about the sustainable development of the Group.

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for monitoring and reviewing corporate governance practices across the Group, and takes into account ESG-related risks in decision making and maintaining effective risk management and internal control systems. The Executive Directors are responsible for formulating ESG management policies, strategies, goals, and annual reporting and promoting related implementation. They also identify, evaluate, review, and manage major ESG issues, risks and opportunities while the management from different business units are responsible for organizing, promoting, and implementing various ESG related tasks under the Group's ESG management policies and strategies. The Board with an aim to ensure that the Group's operations comply with the principle of sustainability and to look after the Group's daily operations and risk management matters in relation to the Group's ESG-related risks and deals with sustainability issues by regular communication with senior management from key business divisions, monitoring the Group's daily operations, reviewing feedbacks from stakeholders and updating internal policies whenever necessary. The material issues and tasks regarding the ESG-related risks of the Group will be reported to the Board regularly in order to review and re-formulate the polices and plans for achievement of goals and targets.

The Group has set short-term and long-term sustainable development vision and goals to achieve ongoing emission reduction according to governmental requirements. Relevant emission reduction targets and corresponding strategies are established and sustainable development factors have been incorporated into the Group's strategic planning, business model and other decision-making processes. The Board regularly monitors and reviews the effectiveness of management approach, including reviewing the Group's ESG performance and adjusting corresponding action plans.

INTRODUCTION

The Group is committed to becoming an enterprise with high level of social responsibility and understands the importance of sustainable development of its business and community. The Group pursues rewarding shareholders with better value, provision of high-quality products and services to customers and provision of adequate and competitive benefits to employees. The Group takes the sustainable development of its business as its long-term development goal, tries its best to reduce the negative impact on the environment in its business, and integrates climate related issues and ESG elements into its long-term business strategic planning.

REPORTING SCOPE

The ESG Report covers our commitments, practices, and performance in various ESG aspects for the period starting from 1 April 2022 to 31 March 2023 (the "**Reporting Period**"). The reporting scope of the ESG Report focuses on the primary businesses including: apparel supply chain management services and selling knit wear apparel products, and in-house drug discovery and development business in the Hong Kong Special Administrative Region ("**Hong Kong**") and the People's Republic of China (the "**PRC**").

APPROVAL OF THE REPORT

The Report was approved by the Board of the Group on 29 June 2023.

REPORTING PRINCIPLE

The ESG Report has been presented into two subject areas, namely environmental and social. Each subject area has various aspects to disclose the relevant policies, key performance indicators ("**KPIs**") and the status of compliance with relevant laws and regulations as addressed by the ESG Reporting Guide. The Group has complied with the disclosure requirements of the "mandatory disclosure requirements" and "comply or explain" provisions set out in the ESG Reporting Guide. Certain KPIs which is considered as material by the Group during the Reporting Period are disclosed in the ESG Report. The Group will continue to optimise and improve the disclosure of KPIs.

During its preparation, the Group adheres to the reporting principles of materiality, quantitative, balance and consistency by:

Reporting Principles	Interpretation	The Group's Application
Materiality	The report should disclose significant impacts on the environment and society, or aspects that materially affect how the stakeholders assess the Company and make decisions.	The Group conducted questionnaires to understand its stakeholders' expectations. Based on the results of the questionnaires, the Group identified and reported the Group's material sustainability issues.
Quantitative	The KPIs disclosed in the report shall be calculable and comparable where applicable.	Under feasible situation, the Group recorded, calculated and disclosed quantitative information and conducted comparisons with past performance if applicable.
Balance	The issuer should objectively and truthfully report its current year ESG performance.	The Group followed the principles of accuracy, objectivity, and fairness to report its achievements and challenges in sustainable development.
Consistency	The ESG Report should be prepared in a consistent manner, its KPIs can be compared to understand corporate performance.	The Group used its best endeavours to ensure consistency in preparing the ESG Report and manages its ESG data for future comparison.

Throughout the Reporting Period, the Group maintained the same ESG management structure and process as the last reporting period (from 1 April 2021 to 31 March 2022, "**Last Reporting Period**"). The Group fully understands that ESG policies and practices may change over time to reflect the changes in business operations, structures, technologies, laws and regulations, and the environment. The Group thus continues to invest substantial resources to monitor ESG issues, policies and practices and performance on an ongoing basis. In order to contribute to the sustainable development on the environment and society, whilst maximizing the benefits to our employees and the stakeholders, the Group has continued to exercises due responsibility in maintaining the highest level of ethical standards when conducting its business and upholds strict compliance with all relevant laws, rules and regulations in all ESG matters.

STAKEHOLDER ENGAGEMENT

The Board relies on comments and opinion from the stakeholders to help the Group to understand better the risks and opportunities in different aspects. The Board believes that understanding the views of the Group's stakeholders lay a solid foundation for the long-term growth and success of the Group so the Board values opinions on the road to sustainable development and seeks to create value for its stakeholders, internally and externally, and the communities in which it operates.

The Board identified the Group's employees, customers, investors and shareholders, suppliers and business partners and community at large as its key stakeholder groups. In daily business activities, the Board communicates with different stakeholders through multiple channels as below:

Stakeholders	Concerns	Communication Mechanisms
Employees	– Providing safe and suitable working environment for staff – Career development – Rights and interests of employees – Remuneration and welfare	– Email – Staff performance evaluation – Staff recreational activities – Staff training
Customers	– Product and service quality – Complying with applicable laws and being responsible for product and service liability – Respecting customer privacy and information security	– Customer service hotline – Email – Company website

Stakeholders	Concerns	Communication Mechanisms
Investors and Shareholders	– Corporate governance – Financial performance – Information disclosure – Protection of investors' and shareholders' interests – Improving operational efficiency to generate stable returns in the long run	– Email – Annual general meetings – Company website – Reports, announcements and other publications
Suppliers and Business Partners	– Complying with applicable laws and eradicating corruption behaviour – Maintaining sound cooperation relationship for mutual growth – Formulating stringent procurement system and controlling risks	– Email – Business negotiations – Contracts and agreements – Company website
Community	– Community development support – Enhancing the environmental protection consciousness of staff and encouraging them to make commitment to the society	– Email – Company website

STAKEHOLDERS' FEEDBACK

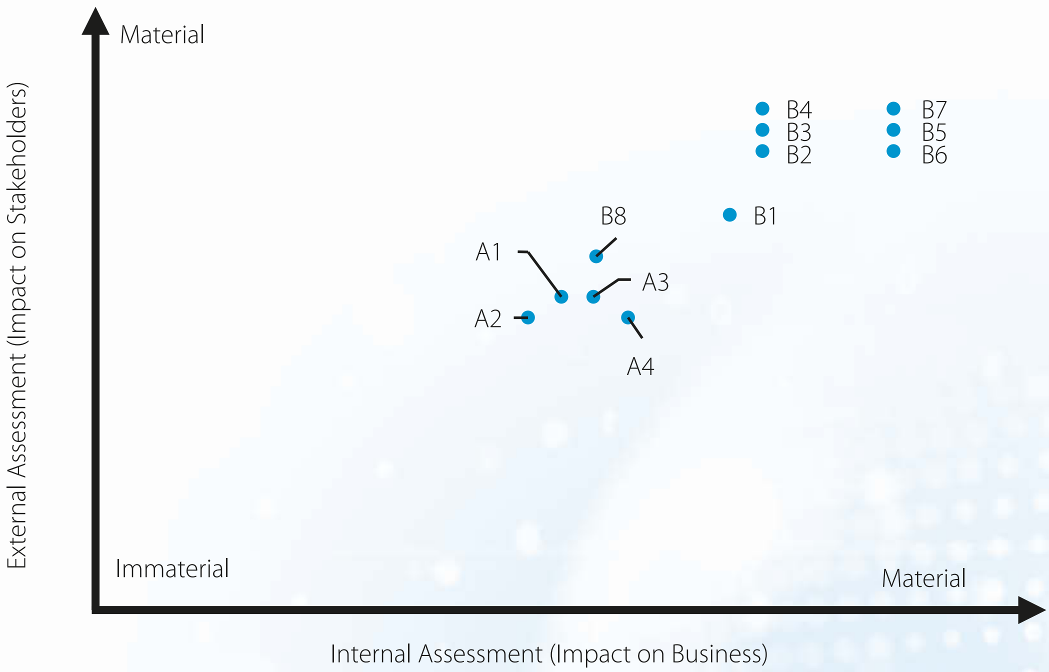
The Board values and pays active attention to the expectations and demands of the stakeholders for the ESG performance of the Group. The Board welcomes stakeholders' feedback on the Group's ESG approach and performance. Suggestions can be sent to the Board via the following:

Address: Flat A, 17/F., Gemstar Tower, 23 Man Lok Street, Hung Hom, Kowloon, Hong Kong
Phone number: +852 2334 2088
Email: info@epshk.hk

MATERIALITY ASSESSMENT

The Group has adopted the principle of materiality in the ESG reporting by understanding the key ESG issues that are important to the business of the Group. During the Reporting Period, the Company undertook its annual materiality assessment exercise. The objective of materiality assessment is to identify ESG topics that are material and relevant to the Group's operation.

Through regular communications with stakeholders and reviewing of the information collected, the Group has identified the following ESG material areas and aspects indicated in the following table:



<table>
<tr><th colspan="2">Subject Areas</th><th>Subject Aspects</th></tr>
<tr><td colspan="2" rowspan="4">Environmental</td><td>A1. Emissions</td></tr>
<tr><td>A2. Use of Resources</td></tr>
<tr><td>A3. Environment and Natural Resources</td></tr>
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<tr><td rowspan="8">Social</td><td rowspan="4">Employment and Labour Practices</td><td>B1. Employment</td></tr>
<tr><td>B2. Health and Safety</td></tr>
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<tr><td rowspan="3">Operating Practices</td><td>B5. Supply Chain Management</td></tr>
<tr><td>B6. Product Responsibility</td></tr>
<tr><td>B7. Anti-corruption</td></tr>
<tr><td>Community</td><td>B8. Community Investment</td></tr>
</table>

The above ESG material areas and aspects have continued to be strictly managed and monitored through the Group's established management structure, process, policies and guidelines as described in this ESG Report.

THE GROUP'S ENVIRONMENTAL AND SOCIAL AREAS AND ASPECTS AND THEIR PERFORMANCE

A. ENVIRONMENTAL AREAS AND ASPECTS

The Group is an apparel supply chain management services provider and a drug developer which headquartered in Hong Kong. The Group provides one-stop apparel supply chain management solutions for its customers ranging from fashion trend analysis, product design and development, sourcing and procurement of materials, production management, quality control and logistics services. All of the knitwear products were produced by the third-party manufacturers engaged by the Group. As such, the relevant environmental laws and regulations are not applicable to the Group itself. Notwithstanding the aforementioned, the Group required its suppliers to comply with the relevant laws and regulations relating to not only environmental but also labor, social and safety. The Group also implemented environmental protection policies in order to reduce the possible pollution resulted from its business activities on the environment. These policies including but not limited to the policies on reducing carbon dioxide ("**CO_2**") emission and water consumption, waste management and other eco-friendly measurements in the Group's business operations. The Group implemented these policies through (i) reminding staff to switch the light on only when it is needed and turn off when staff are out of office; (ii) reminding staff to set the temperature of air-conditioner to an energy-efficient level; (iii) emphasising on the use of recycle paper when printing internal documents and double-sided printing for external documents; (iv) reminding staff and relevant person-in-charge to process daily waste properly and to treasure water resources and avoid wasting; (v) reminding staff to turn off water taps after use; and (vi) endeavouring to promote water conservation in the offices which resulted a limited amount of water consumption during the Reporting Period. The Group continues to review the environmental impact of its operations and assess whether its environmental protection policies are in compliance in all material respects with applicable environmental laws and regulations in Hong Kong and the PRC. During the Reporting Period, the Group's business operations are wholly office operations, and thus, the key environmental impacts from the Group's operations mainly related to (i) energy; (ii) paper consumption; and (iii) local and overseas business travels. As such, the environmental impact from the Group's operation is minimal compared to that of many other industries. During the Reporting Period, there was no material breach of or non-compliance with the applicable laws and regulations related to environmental protection, air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste by the Group.

A1. EMISSIONS

(i) Exhaust Gas Emission

Transportation is one of the emission areas where the Group also provides guidance to control air pollution. The table below recorded and compared the Reporting Period and the Last Reporting Period's resultant air pollutant emissions in Hong Kong, where the vehicle owned by the Group is located:

		Year ended 31 March		
Air Pollutants	*Unit*	**2023**	2022	Changes
Nitrogen Oxides ("**NOx**")	Kg	**0.38**	1.90	-80%
Sulphur Oxides ("**SOx**")	Kg	**0.01**	0.02	-50%
Particulate Matter ("**PM**")	Kg	**0.03**	0.14	-79%

The air pollutants emissions decreased significantly in the Reporting Period due to the decrease in the frequency of transportations for daily use in Hong Kong.

(ii) Greenhouse Gases ("GHG") Emission

Greenhouse gases (GHG) include carbon dioxide (CO_2) and its non-hazardous equivalents including nitrous oxide and methane (collectively with CO_2, "CO_2e"). The Group has established an emission reduction pathway with a long-term perspective as a directional target. The primary source of GHG emission of the Group is from purchased electricity and secondarily from the fuel consumption by company vehicles.

The table below recorded and compared the Reporting Period and the Last Reporting Period's resultant GHG emissions in Hong Kong and the PRC:

		Year ended 31 March		
GHG Emissions *Note (1)*	*Unit*	**2023**	2022	Changes
Total GHG emissions (Scope 1 and 2)	CO_2e kg	**51,556**	39,624	+30%
Scope 1 *Note (2)*	CO_2e kg	**1,569**	3,992	-61%
Scope 2 *Note (3)*	CO_2e kg	**49,987**	35,632	+40%
Intensity (Scope 1 and 2) per m^2 HK and the PRC floor space	CO_2e kg/m^2	**28**	64	-56%

Note 1: Emission factors for calculations in this ESG Report were made reference to the "How to prepare an ESG Report - Appendix 2: Reporting Guidance on (Environmental KPIs (version updated on 25 March 2022)" by The Stock (Exchange of Hong Kong Limited, unless otherwise specified.

Note 2: Scope 1 refers to direct emissions from vehicles that the Group owns.

Note 3: Scope 2 refers to indirect emissions resulting from the generation of purchased electricity consumed within the Group.

For the Reporting Period, the increase in Scope 2 indirect emissions was mainly due to the change in the reporting scope.

(iii) Hazardous waste, non-hazardous waste and packaging materials

The Group generated/consumed no significant hazardous waste, non-hazardous waste and packaging materials due to its business nature. The table below recorded and compared the Reporting Period and the Last Reporting Period's total amount of paper usage in Hong Kong and the PRC:

		Year ended 31 March		
Wastes	*Unit*	**2023**	2022	Changes
Non-hazardous waste, paper for recycling purpose	Tonnes	**1.65**	0.76	+117%
Intensity of non-hazardous waste per m^2 HK and the PRC floor space	Tonnes/m^2	**Insignificant (<0.01 tonnes/m^2)**	Insignificant (<0.01 tonnes/m^2)	N/A

Compared to the Last Reporting Period, the increase of disposed paper was due to change of reporting scope.

(iv) Mitigation measures and reduction initiatives

The Group advocates emission reduction, energy saving and resources saving, and is committed to achieving sustainable operations. To this end, we have set preliminary directional targets in terms of reducing emissions, energy use efficiency and water efficiency. The Group will review the progress and explore more opportunities for various environmental protection goals. In the future, we will set more specific quantitative environmental goals to nurture the environment and cherish natural resources.

Environmental Aspects	Targets	Steps Taken To Achieve The Targets
Air Pollutants Emissions	The Group will actively implement the air pollutants control plan and measures to maintain or reduce the intensity of air pollutants emissions.	– Carrying out regular maintenance of vehicles with good condition for operational efficiency – Encouraging the use of public transportations
Greenhouse Gas Emissions	The Group will actively implement the electricity-saving plan and measures to maintain or reduce the intensity of greenhouse gas emissions.	– Adopting LED lighting in some offices – Setting the temperature of air-conditioning system in a range between 25°C to 26°C – Switching off lights and unnecessary energy-consuming devices when they are not in use – Promoting environmental protection such as saving water and electricity by slogan or poster in office
Waste Reduction	The Group will actively implement the material-saving plan and measures to maintain or reduce the intensity of waste production.	– Using electronic document processing system to minimize the use of paper – Encouraging printing or photocopying on both sides of paper, where applicable – Focusing on quality management to reduce wastage and scrap for less pollution resulted

A2. USE OF RESOURCES

(i) Energy Consumption

Energy is the critical component of the Group's operation, and the Group has to acquire energy that originates from fossil fuels, which is exhaustible and non-renewable energy. The Group has thus established an energy consumption reduction pathway with a long-term perspective as a directional target. Because of that, the Group makes its utmost to reduce energy consumption by different energy measures.

- Established a resources management procedure to regulate energy use;
- Promoting environmental protection such as saving water and electricity by slogan or poster in office;
- Switching off lights and unnecessary energy-consuming devices when they are not in use;
- Setting the temperature of air-conditioning system in a range between 25°C to 26°C;
- Disseminated energy-saving message via emails; and
- Adopting LED lighting in some offices.

The table below recorded and compared the Reporting Period and the Last Reporting Period's resultant energy consumption:

			Year ended 31 March		
Energy Consumption			**2023**	2022	Changes
–	Electricity	Consumption (kWh)	**116,070**	96,302	+21%
		Intensity (kWh/m^2 in Hong Kong and the PRC)	**63**	156	-60%
–	Unleaded petrol	Consumption (Litres)	**590**	1,501	-61%
		Consumption (kWh) *Note (4)*	**5,716**	14,545	-61%
		Intensity (kWh/m^2 in Hong Kong)	**9**	24	-63%
Total		Consumption (kWh)	**121,786**	110,847	+10%

Note 4: Energy conversion factors used for petrol are based on the conversion factor mentioned in the ESG Reporting Guide.

The significant increase in electricity consumption was due to change of reporting scope.

(ii) Water Consumption

As the Group does not conduct any business relating to manufacturing, it does not encounter any issue in sourcing water that is fit for purpose. The Group's key water usage arises from consumption in offices, including toilet flushing, water tap and drinking water. We operate in leased office premises of which water supply and discharge are controlled by building management who considered provision of water usage data to individual occupant not feasible.

(iii) Targets

Energy Conservation	The Group will actively implement the electricity-saving plan and measures to maintain or reduce the intensity of electricity consumption.	– Adopting LED lighting in some offices – Setting the temperature of air-conditioning system in a range between 25˚C to 26˚C – Switching off lights and unnecessary energy-consuming devices when they are not in use
Water Conservation	The Group will actively implement the water-saving plan and measures to maintain or reduce the intensity of water consumption.	– Promoting environmental protection such as saving water and electricity by slogan or poster in office
Paper and Packaging Materials and Other Raw Materials Consumption	The Group will actively implement the paper-saving plan and measures to maintain or reduce the intensity of paper consumption.	– Avoid unnecessary printing and print on both sides – Use recycled papers and reuse paper-made products such as envelops and folders – Replace the use of papers by sharing and storing information and documents in electronic formats – Adopt company-wide cloud based working environment to reduce the need of printed documentation

A3. Environment and Natural Resources

The Group raises staff's awareness on environmental issues through education and training and enlists employees' support in improving the Group's performance, promotes environmental awareness amongst the customers, business partners and shareholders, supports community activities in relation to environmental protection and sustainability, and evaluates and monitors regularly the impact of past and present business activities impacting upon health, safety and environmental matters. With the integration of policies mentioned in *Sections A1(iv) and A2(iii)* of this ESG Report, the Group strives to minimize the impacts to the environment and natural resources. The principal business activities of the Group do not have a significant impact on the environment and natural resources.

A4. Climate Change

Climate change has caused frequent extreme weather and has an impact on the business operations of the Group. Therefore, the Group has formulated working mechanisms to identify, prevent and mitigate climate change issues that may have a significant impact. At the same time, we would adjust the use of resources and energy. In response to disasters and accidents which are easily induced by extreme weather, we always enhance the capability to the disaster response.

Physical Acute Risk

The Group has identified extreme weather such as typhoons, heavy rain, thunder and lightning and flooding that can cause physical acute risk. The potential consequences include delivery or shipment delay as well as damage to documents, equipment and even employees' health and life. The above potential consequences will cause economic losses to and increase operating costs of the Group.

The Group has established different measures as below to prevent and minimize the negative effect of extreme weather.

Physical Acute Risk

Extreme weather	Preventative and mitigation measures
Typhoons	– Attach duct tapes to windows to avoid damage – Move equipment to safety areas in advance – Reinforce equipment and components that may be blown away – Inform and negotiate with clients and third-party suppliers of potential delays in advance – Arrange work from home for staff according to the guidelines of local observatory
Heavy Rain and Flooding	– Check that all windows are shut as secure as possible – Reinforce equipment and assets which may be damaged or blown away – Arrange work from home for staff according to the guidelines of local observatory
Thunder and Lightning	– Keep good conditions of earthing devices – Remind employees to save data and turn off computers

Physical Chronic Risk

The Group has identified extreme weather such as sustained high temperature during the year could cause physical chronic risk. The potential consequences include the drop in sales of autumn/winter products and a higher chance of getting heatstroke for employees, increasing turnover rate and work-related injuries. The demand for cooling for the working environment will be increased, which may lead to an increase in power demand and operating costs of the Group.

The Group has established different measures as below to prevent and minimize the negative effects of extreme weather.

Physical Chronic Risk

Extreme weather	Preventative and mitigation measures
Sustained high temperature	– Diversify the impact by developing and promoting more summer/spring products – Keep a First-aid kit convenient – Keep cold water available 24 hours a day

B. SOCIAL ASPECTS

1.1 Social Areas Overview

The Group acts in an honest and transparent principle and aims to support the building of a harmonious society and a mutually beneficial relationship with our stakeholders including employees, customers, suppliers, professional services providers, local communities as well as the governing authorities. During the formulation and implementation of our ESG strategies, policies, rules and regulations, the Group incorporates our long and short-term goals with consideration for our stakeholders and society. The Group believes that our modest acts will ultimately benefit the stakeholders and general society.

1.2 Employment and Labour Practices Aspects

B1. Employment

As an enterprise with social responsibility, the Group shall not only be accountable to its customers, but also to its employees. When seeking for accomplishment of economic targets, the Group also assumes responsibility to the society, which in turn enables it to achieve sustainable development. The Group values its employees as they are key to its success. It commits to implement a transparent and fair recruitment system and provide a working place without discrimination and with equal opportunities for all staff. The Group strictly complies with the laws and regulations related to labor including but not limited to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), Minimum Wage Ordinance (Cap 608 of the laws of Hong Kong), Mandatory Provident Fund Schemes Ordinance (Cap 485 of the laws of Hong Kong) and other relevant laws and regulations that have a significant impact on the Group, and takes practical and effective measures to protect employees' rights.

The Group is committed to eliminating prejudice and discrimination in the workplace and prohibiting its employees to discriminate against: (i) a person on the ground of sex, marital status, pregnancy or breastfeeding in prescribed areas of activities; (ii) a person on the ground of disability when committed in prescribed areas of activities; and (iii) a person on the ground of family status. "Family status" means the status of having a responsibility for the care of an immediate family member, and "immediate family member", in turn, means a person who is related to someone by blood, marriage adoption or affinity. The employees of the Group must also be prohibited from their acts of discrimination, harassment, and vilification on the ground of someone's race. The Group complies to the anti-discrimination laws in the jurisdictions of its subsidiaries located.

Staff annual leaves and benefit packages of the Group were enforced with reference to the local labour laws. The Group rewards employees with fair remuneration based on an individual's work performance in order to inspire their working enthusiasm. Further, the Group adopts an incentive system under which the management's remuneration is related to the Group's operating results, which provides reasonable rewards to the managements of the Group.

As of 31 March 2023, the Group employed 112 employees in Hong Kong, the PRC and Japan, among which 111 are full-time staffs and 1 is a part-time staff. Further analysis of the Group's employment situations for the Reporting Period and the Last Reporting Period are summarised as below:

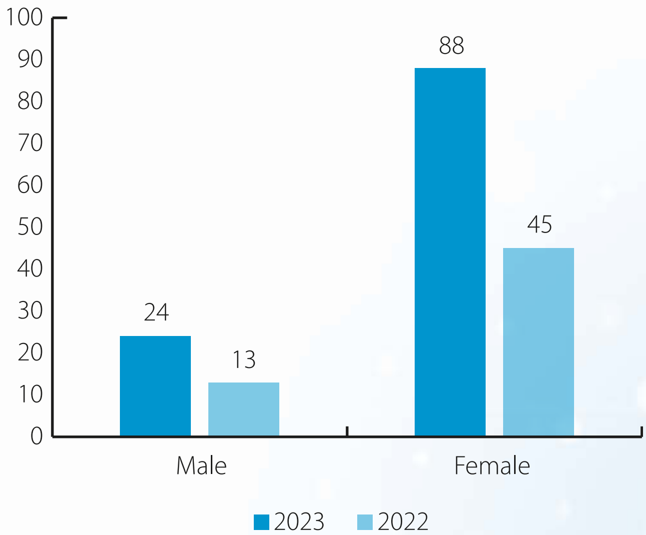

Figure 1: Number of Employees by Gender

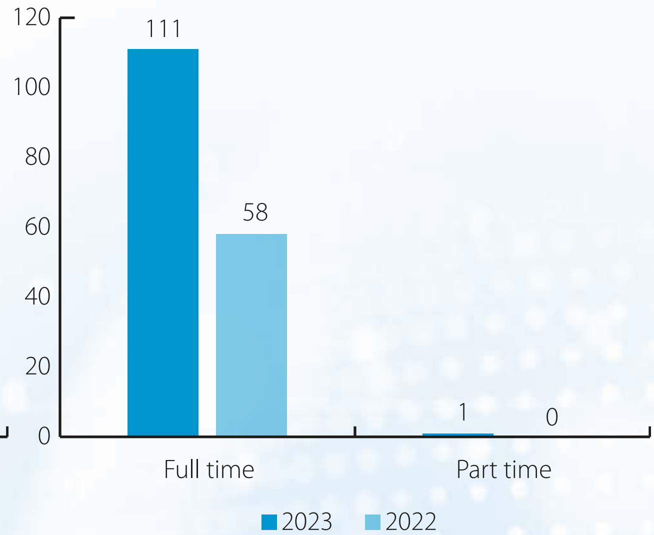

Figure 2: Number of Employees by Employment Type

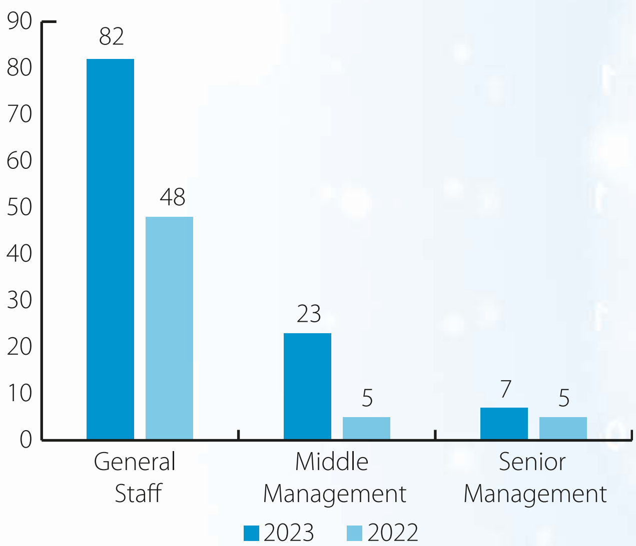

Figure 3: Number of Employees by Role

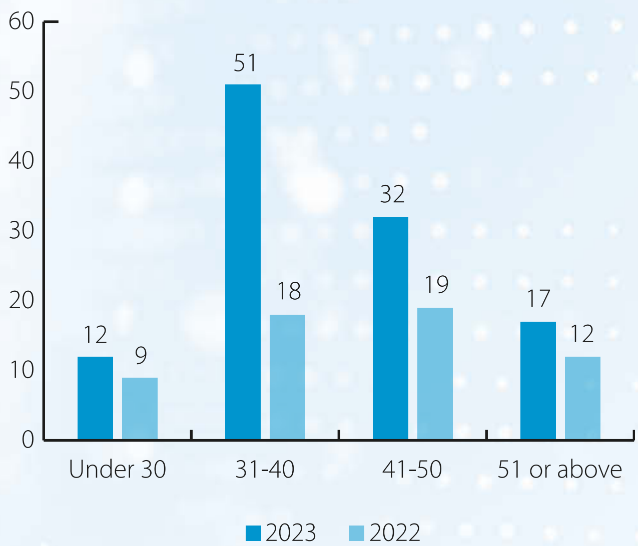

Figure 4: Number of Employees by Age

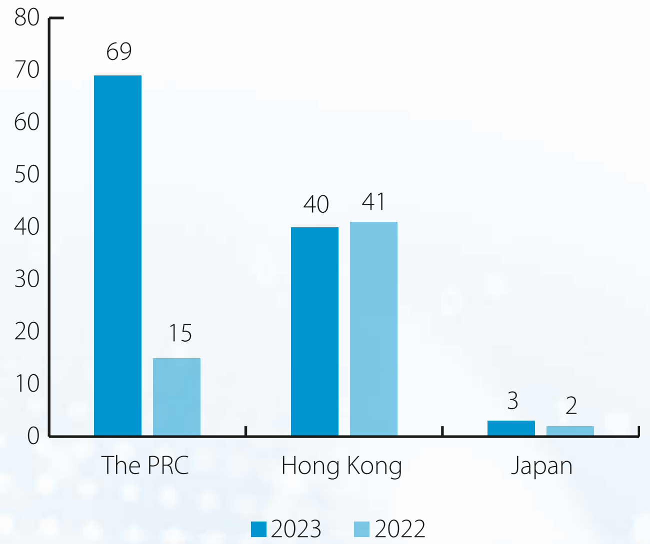

Figure 5: Number of Employees by Geographical Region

Note 5: Since 2023, we started include the Group's in-house drug discovery and development business in the PRC. For comparability, the 2022 number of employees in the PRC is also restated.

During the Reporting Period, the Group did not have any incidents of non-compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. The Group is confident to achieve the same result for the coming year.

The table below shows the employee turnover rate of the business segment under our reporting scope by gender, age group, and geographical region, respectively.

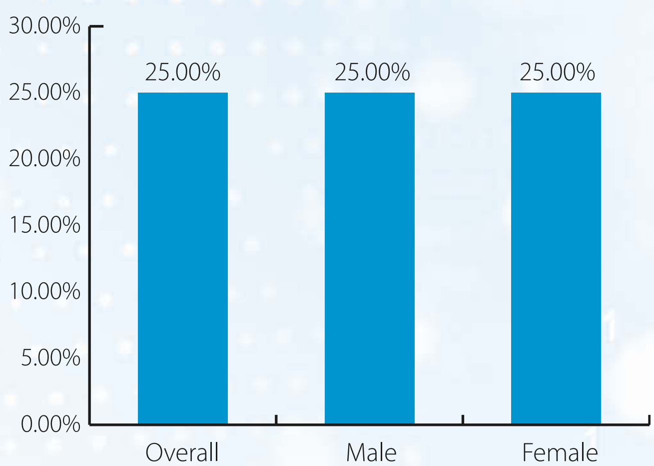

Figure 6: Employment Turnover Rate by Gender

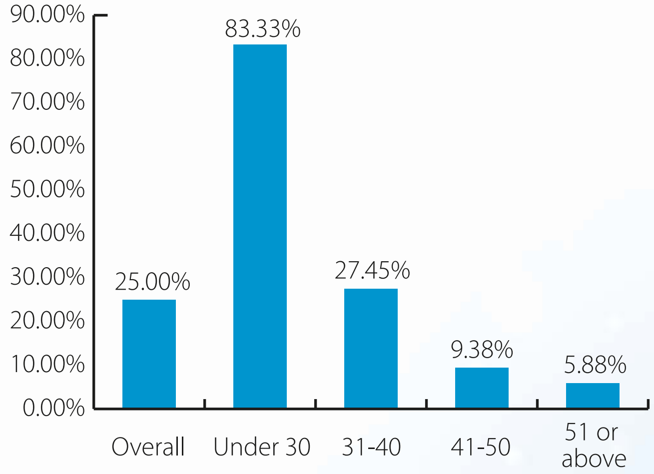

Figure 7: Employment Turnover Rate by Age

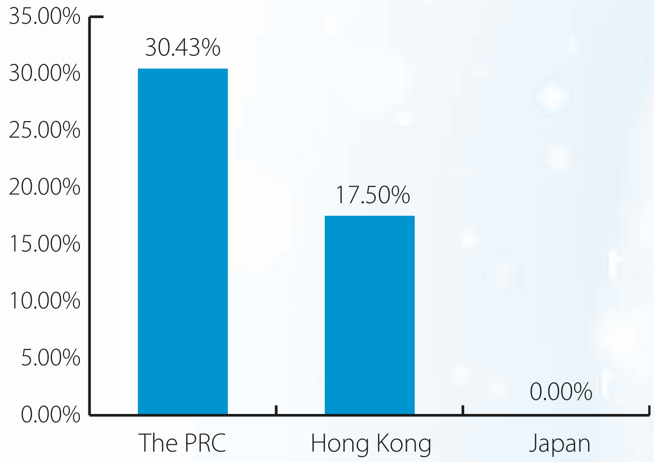

Figure 8: Employment Turnover Rate by Geographical Region

To the best knowledge of the Directors, there is no material violation of relevant standards, rules and regulations regarding remuneration and dismissal, recruitment and promotion, working hours, holidays, fair opportunity, diversity and other remuneration package and benefits during the Reporting Period.

B2. Occupational Health and Safety ("OHS")

To indicate its care for employee's health and safety, the Group established a safe and healthy working environment for all employees by establishing monitoring procedures for safety management. The Group strictly complies with relevant laws and regulations regarding employment and labour protection including but not limited to Occupational Safety and Health Ordinance (Chapter 509) of the laws of Hong Kong, the Labour Standard Act (Act No. 49 of April 7, 1947, as amended), the Industrial Safety and Health Act (Act No. 57 of 1972, as amended), and the Labor Contract Act (Act No. 128 of December 5, 2007).

In the past three years including the Reporting Period, no work-related fatalities or lost days due to work injury were recorded. To the best knowledge of the Directors, there is no material violation of relevant laws and regulations regarding provision of safe working environment and protecting employees from occupational damage during the Reporting Period.

The Group places health and safety of its employee as its highest priority in response to the infectious disease pandemics and has taken timely actions and measures to protect and prevent its employees from being infected. The hygiene measures adopted by the Group are as follows:

- Sanitary items provided by the Group including face masks, alcohol-based sanitisers and ultraviolet light hand dryer;
- Employees are required to wear a face mask in the office;
- Upon arrival of office, employees are required to measure their body temperature at the reception and wash their hands with soap before working;
- Home office arrangements;
- Encouraging employees taking vaccinations as early as they can by providing vaccination leave and bonus; and
- If an employee has respiratory symptoms or body temperature higher than 37.5 degree celsius, they are required to seek for medical treatments and undergo self-quarantine at home.

The Board will continue to ensure compliance with all applicable laws, rules and regulations.

B3. Development and Training

The Group provides occupational development opportunities for its employees. Employees of the Group may pursue, depending on their working capabilities, personal developments by means of promotion from junior to senior positions.

The Group provides on-the-job trainings for the new employees serving the junior positions. In particular, employees with adequate experience are designated to provide guidance to new employees to assist with their works, aiming to improve new employees' expertise and skills as required for works and to assist them to adapt to the operations and culture of the Group as soon as possible. During the Reporting Period, the Group organised training sessions and seminars relating to (i) global trend on sustainable development; and (ii) security management of information and technologies for the Directors and senior management of the Group. Further, certain employees amongst design and promotion, procurement and merchandising departments of the Group participated in a series of trainings in learning of materials and products covering the topics such as product variety, functions of knitwear materials and trends of apparel products to help employees improve their knowledge in the apparel industry and business capabilities.

The participation rates of training of the Group during the Reporting Period and the Last Reporting Period are tabulated as follows:

Training (No. of employees)	Internal	External
Percentage of employees trained		
2023	15.18%	12.50%
2022	–	1.72%
Percentage of trained employees by gender		
Male		
2023	17.65%	14.29%
2022	–	–
Female		
2023	82.35%	85.71%
2022	–	100%
Percentage of Trained Employees by Grade		
Senior management		
2023	5.88%	7.14%
2022	–	100%

Training (No. of employees)	Internal	External
Middle management		
2023	11.76%	14.29%
2022	–	–
General staff		
2023	82.35%	78.57%
2022	–	–

The training hours of the Group during the Reporting Period and the Last Reporting Period are tabulated as follows:

Average training hours per employee	Internal	External
Total average training hours per employee		
2023	4.34	7.60
2022	–	0.53
Average training hours for male		
2023	2.25	6.75
2022	–	–
Average training hours for female		
2023	4.91	7.83
2022	–	0.68
Average training hours for senior management		
2023	4.29	2.18
2022	–	6.10
Average training hours for middle management		
2023	5.22	5.48
2022	–	–
Average training hours for general staff		
2023	4.10	8.66
2022	–	–

B4. Labor Standards

The Group is fully aware that child labour and forced labour violate fundamental human rights and also pose threat to sustainable social and economic development. The Group strictly complies with relevant local labour laws and regulations including but not limited to the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Provisions on the Prohibition of Using Child Labor of the PRC (《中華人民共和國禁止使用童工規定》) and the Employment Ordinance (Cap 57 of the Laws of Hong Kong). The Group also strictly complied with relevant laws and regulations in respect of minimum working age. The Group properly handled child labour issues in accordance with requirements of social responsibility management and regulations to prohibit all departments to employ child labour.

The Group established management policy for forced labour and captive labour to prohibit any forced labour and regulate that employee of the Group must be employed voluntarily, undertaking that (i) no forced acts shall be allowed; (ii) no deceptive means shall be applied in attracting workers to work in the Group; and (iii) no threats, punishments or to gain any benefit from employees or force employees to work.

The Group strictly prohibits the employment of any child labour and forced labour. To prevent and any form of child labour in the business operation, employment will only be permitted for staff at the legal age of employment. New employees are required to provide true and accurate personal data when they are employed. Recruiters should strictly review the entry data including medical examination reports, academic credentials, ID cards, household registration, degree certificates and other information. The Group has established comprehensive recruitment procedures to check the background of candidates in order to prevent any child labour or forced labour in operation. Once any violation is found, the Group will follow up in a more serious manner and handle such case in accordance with national and local laws and regulations, and the group's internal rules depending on the actual situation. For example, we will timely understand the child's education status, and timely contact the local education department and its guardian to escort the child home.

During the Reporting Period, the Group has complied with policies and relevant laws and regulations regarding prevention of child labour or forced labour.

B5. Supply Chain Management

To focus the Group's resources on the provision of apparel supply chain management services, the Group does not own or operate any manufacturing operations. Instead, the Group outsourced the labour intensive manufacturing processes to third-party manufacturers with manufacturing operations in the PRC, Thailand and Cambodia. The Group strives to improve its supply chain management. The Group has established procedures and a complete monitoring system for selection of third-party manufacturers including but not limited to the ability and efficiency of third-party manufacturers to produce apparel products for its customers. In addition, we evaluate if third-party manufacturers consider the environmental and social criteria including the prohibition on the recruitment of child and forced labour, eliminating discrimination to employees, providing a safe working environment, considering if the products and services provided are beneficial to environmental protection and fulfilling the Group's internal environmental requirement while minimizing the negative impact to natural environment, and strictly obeying the law. The operation model of the Group is to manage the third-party manufacturers of different scales, the Group does not enter into any long term contracts with third-party manufacturers and the Group engages them on a case-by-case basis depending on the needs and requirements of customers. The Group sets standards and goals and provides data analysis to measure the performance of its supply chains, including but limited to the environmental and social performance. In addition, the Group closely cooperates with yarn suppliers, third-party manufacturers and customers to ensure providing the latest information on customer demands at every stage of the supply chain, and pays attention to the signal of market demands and makes corresponding improvements.

The following is an analysis of the Group's number of suppliers by geographical location for each of the years ended 31 March 2022 and 31 March 2023:

	Year ended 31 March	
Number of suppliers by geographical location	**2023**	2022
Hong Kong	**34**	36
The PRC	**79**	10
Others	**17**	14
Total	**130**	60

The Group set up strict guidelines to prevent any employee, outsourcing contractor or supplier from breaching the anti-corruption guideline requirements by implementing appropriate disciplinary punishment(s). The Group also stated in its anti-corruption policy that it will not work with suppliers who had previously violated the anticorruption requirements. As mentioned above, the Group conduct analysis to continuously measure the environmental and social performance of its supply chains.

The Group complied with the child labour and forced labour law. Suppliers were also required to comply with the same. The Group also requires suppliers to comply with all relevant laws and regulations to ensure health and safety of employees in all operating conditions and environment.

B6. Product Responsibilities

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with relevant laws and regulations, including but not limited to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), the Trademark Law of the PRC (《中華人民共和國商標法》), the Advertising Law of the PRC (《中華人民共和國廣告法》), the Sale of Goods Ordinance (Cap 26 of the Laws of Hong Kong), the Trade Descriptions Ordinance (Cap 362 of Laws of Hong Kong) and the Trade Marks Ordinance (Cap 559 of the laws of Hong Kong), that have a significant impact relating to health and safety, advertising, labelling and privacy matters regard to products and services provided by the Group during the Reporting Period.

Quality Control

As an apparel supply chain management services provider, the Group's services encompass the total supply chain from the selection of raw materials until the final delivery of finished products to the customers at their designated port of shipment. The Group places great emphasis on the quality of its knitwear products and the Directors believe that the commitment to the high standard for quality control of its knitwear products is one of the key factors contributing to the Group's success. Stringent quality control procedures such as inspection of the finished products by a third-party inspection center prior to shipping to the Group's customers and monitoring the production process by keeping a production schedule have been established throughout the total supply chain so as to ensure the quality of the knitwear products is supplied in consistently reliable and high standard.

To ensure that the quality of the knitwear products is in conformity with the customers' specifications, the Group will perform random checks on semi-finished products produced by the third-party manufacturers at various stages of the production process. To ensure that the colour conforms to the customers' specifications and standards, the Group will visually inspect the colour on the semi-finished and finished products with colour check light box. The merchandising quality control staff will check whether the semi-finished products are free from major defects and to ensure that the knitting patterns conform with the customers' designs and specifications. Before packaging for delivery, all finished products will be checked by a third-party inspection centre. Any products that fail to meet the standards will be notified to the third-party manufacturers for rectification.

During the Reporting Period, the Group has complied with the relevant requirements on product liabilities and there is no product sold or shipped subject to recall for safety and health reasons.

Customer Service and Product Return

All of the Group's knitwear products are subject to final inspections by third-party inspection centers to ensure that the knitwear products are in conformity with the customers' specifications and requirements. Nevertheless, as a responsible supply chain management services provider and in order to maintain the Group's goodwill and the business relationships with its customers, the Group would investigate every incident and offer solutions to its customers to resolve such incident. Customers are always encouraged to give their feedback and opinions via service hotline and social media platforms. During the Reporting Period, we did not receive any material claims or complaints by our customers in respect of the quality of our products and there was no incident of failure of our quality control procedures which had a material and adverse impact on our business operations.

Intellectual Property Rights

As an apparel supply chain management services provider, the Group respects intellectual property rights. The Group is committed to protecting trademarks of customers and restricts any person from using the trademarks for any unauthorised purposes. We strictly abide by all laws and regulations related to intellectual property, such as the Trademark Law of the PRC (《中華人民共和國商標法》) and Trade Marks Ordinance of Hong Kong. The Group has policies and procedures to protect the intellectual properties of the Group and its customers. The product design sketches and instruction sheets may contain confidential information regarding proprietary product designs of the Group's customers. Such confidential documents for each of the respective customers will be stored in the designated place and only the responsible merchandising team, design staff and authorised personnel are allowed to access such information. The Group's employees are forbidden to reproduce or publicize any information related to the product designs of the Group and/or its customers. Any waste paper containing sketches and/or product designs of the Group or its customers is required to record in the Group's design register and provide to the administrative department for central management before destruction.

The Group has established an internal management team responsible for monitoring the implementation of the aforementioned policy and detecting any infringement by others or by the Group.

During the Reporting Period, the Group was not aware of any infringement or potential infringement by any member of the Group of the intellectual property rights owned by any third parties, and no material complaint was received and no claim was made against the Group by its customers in relation to infringement of their intellectual property rights.

Data Privacy

Subject to compliance with the relevant privacy protection regime, the Group will strive to protect the privacy of customer information and repeatedly emphasize the importance of information security in employee training and internal meetings. Any organizations or personnel are prohibited to access customer information without relevant authorization by the Group. The Group has established an internal management team responsible for monitoring the implementation of the aforementioned procedures.

Advertising and Labelling

Adhering to its pragmatic principle, the Group does not allow any misleading, inaccurate and exaggerating information about its products and services. In the sale process, we ensure that any descriptions of our services and products are in compliance with the Advertising Law of the PRC (《中華人民共和國廣告法》) and Trade Descriptions Ordinance (Chapter 362 of Laws of Hong Kong) and all other applicable laws and standards enacted by the government and industry associations. The Group has established an internal management team responsible for monitoring the implementation of the aforementioned procedures. During the Reporting Period, the Group did not receive any complaint in relation to advertising and labelling.

B7. Anti-corruption

The Group operates under integrity and moral principles. The Group established relevant standards, including the adoption of an Anti-Fraud and Anti-Corruption Policy and a Whistleblowing Policy, and complied with laws and regulations, prohibiting employees from receiving any benefits from the suppliers, customers or any party having business or commercial relationship with companies under the Group or offering benefits to the same. The Group requires (i) all employee shall comply with its code of business conduct and ethics; (ii) employees are prohibited to, through taking advantage of their positions, offer any reward or other benefits to or receive the same from customers, suppliers or any party having business with the Group; and (iii) all suppliers or individuals dealing with the Group shall not offer any commercial bribe or transfer other benefits by any means to employees or management of the Group.

The Group requires every employee to comply with the code of employees and delegates appropriate authority to employees in every job position to avoid abuse of his or her duties for profiteering or suspected conflicts of interest. As the Group's businesses involve the customers' personal data, the Group has established confidentiality codes and relevant guidelines for the employees to reduce the risk of information leakage.

The Group prohibits employees from using the company seal/chop of each company of the Group without prior approval from the management of the Group, to sign beyond one's authority, and to approve the signing of any external contract or terminating it and to vary the performance of contracts. The whistle-blowing and reporting system of the Group permits employees to report any suspected misconduct or fraud to relevant department head through effective channels. The management of the Group is responsible for overseeing the implementation and monitoring of the Group's measures (including the Anti-Fraud and Anti-Corruption Policy and the Whistleblowing Policy) to prevent bribery, extortion, fraud and money laundering and abovementioned procedures.

The Group is in the process of allocating resources to arranging training on anti-corruption, and therefore no training is arranged during the Reporting Period. Looking ahead, we will continue to invest more resource to our anti-corruption training and expand the scope of anti-corruption training data disclosure.

During the Reporting Period, the Group did not identify any material non-compliance of laws and regulations related to the prevention of bribery, extortion, fraud and money laundering, and there was no legal case regarding corrupt practices, extortion and money laundering brought against the Group or its employees. The operations of the Group complied with policies and relevant laws and regulations regarding anti-bribery, extortion, fraud and money laundering, including but not limited to the Company Law of the PRC (《中華人民共和國公司法》), the Tendering and Bidding Law of the PRC (《中華人民共和國招標投標法》), the Law Against Unfair Competition of the PRC (《中華人民共和國反不正當競爭法》) and Hong Kong's Anti-Money Laundering and Terrorist Financing Ordinance and Prevention of Bribery Ordinance.

B8. Community Investment

In recognising that bringing resources to the community while at the same time contributing to the economy and environment would benefit the society in the long run, the Group is in the process of devoting time and effort to return to the society as it has always encouraged its employees to take part into supporting environmental protection initiatives such as energy saving initiatives, and participating volunteer work for the community during the Reporting Period, and there were no donation or charitable campaign were arranged. In the future, the Group will (i) seek opportunities to work with charitable organisations to get involved in various community programmes and to contribute to the society; (ii) promote the health of its employees and customers by organising and taking part in sports and fitness activities; and (iii) make donations to the charitable organisations.

The Directors hereby present this report and the audited consolidated financial statements of the Group for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The major activities of its principal subsidiaries are set out in note 31 to the consolidated financial statements of the Group in this annual report. There were no significant changes in the nature of the Group's principal activities during the year ended 31 March 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Environmental, Social and Governance Report of the Company for the year ended 31 March 2023 contained the information as required by the standards set out in Appendix 27 to the Listing Rule is disclosed on pages 43 to 65 of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As the Board is aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that had a significant impact on the business and operations of the Group for the year ended 31 March 2023.

RELATIONSHIP WITH STAKEHOLDERS

The Group's relationship with its stakeholders is disclosed in the section headed "Management Discussion and Analysis" on page 18 of this annual report.

RESULTS AND APPROPRIATIONS

The results and appropriations of the Group for the year ended 31 March 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 85 of this annual report.

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 31 March 2023 in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements of this annual report.

BUSINESS REVIEW

A discussion and analysis of the Group's performance for the year ended 31 March 2023, the key factors affecting its results and financial position are set out in the section headed "Management Discussion and Analysis" of this annual report. Further, a fair review of, and an indication of likely future prospects in the Group's business are set out in the sections headed "Chairman's Statement" of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial position, results of operations, businesses and prospects would be affected by a number of principal risks including foreign currency risk, interest rate risk, credit risk and liquidity risk. The financial risk management policies and practices of the Group are disclosed in note 30 to the consolidated financial statements of this annual report.

Further, there are certain other risks involved in the Group's operations which are beyond its control. In particular, the Group relies on several major customers and the Group does not enter into any long term contracts with them. The Group also faces business risks such as (i) any disruption in the relationships with the third-party manufacturers or their manufacturing operations could adversely affect the Group's business; (ii) there are time lags between making payments to the Group's suppliers and receiving payments from its customers. Failure to handle this cash flow mismatch may adversely affect the Group's cash flow and financial position; (iii) the Group has relatively thin net profit margin and is highly sensitive to any unfavourable change in the cost of sales, selling price and sales volume; (iv) any further decrease in retail sales value and sales volume of apparel retail markets in Japan and the USA may adversely affect the Group's operating results and performance; and (v) the Group's performance and profitability may be affected by the fluctuation of the exchange rate of Japanese Yen.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the latest five financial years is set out on page 154 in this annual report.

SHARE CAPITAL

There has been no change in the capital structure of the Company for 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.

Details of the movements in the Company's share capital for the year ended 31 March 2023 are set out in note 28 to the consolidated financial statements of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer its new shares on a pro-rata basis to existing Shareholders.

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.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 35 to the consolidated financial statements of the Group and in the consolidated statement of changes in equity on pages 88 to 89 in this annual report, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2023, the Company's reserves available for distribution, calculated in accordance with the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$43.6 million (as at 31 March 2022: approximately HK$54.3 million).

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2023, the Group's largest customer and five largest customers' aggregate amount represented approximately 41.2% (for the year ended 31 March 2022: approximately 67.9% (restated)) and 72.7% (for the year ended 31 March 2022: approximately 35.6% (restated)) of the Group's total revenue, respectively. The Group's largest supplier and five largest suppliers' aggregate amount represented approximately 41.9% (for the year ended 31 March 2022: approximately 36.0% (restated)) and 70.4% (for the year ended 31 March 2022: approximately 68.4% (restated)) of the Group's cost of sales, respectively.

To the best knowledge of the Directors, none of the Directors nor any of their close associates (as defined in the Listing Rules) nor any Shareholders who or which to the knowledge of the Directors own more than 5% of the Company's issued share capital had any beneficial interest in any of the Group's five largest customers and/or suppliers during the year ended 31 March 2023.

DIRECTORS

The Directors during the year and up to the date of this annual report were as follows:

Executive Directors

Mr. Okoso Satoshi (Chairman and Chief executive officer)
(re-designated on 12 July 2022 and appointed as
Chief executive officer on 12 July 2022)
Mr. Miyano Tsumoru (appointed on 12 July 2022)
Mr. Haribayashi Keikyo
Mr. Maezaki Masahiro (appointed on 22 August 2022)
Mr. Gao Feng (resigned as Chief executive officer on 12 July 2022)

Non-executive Directors

Mr. Xia Xiangming (appointed on 12 July 2022)
Mr. Liang Fei (resigned on 12 July 2022)

Independent non-executive Directors

Mr. Taguchi Junichi
Mr. Choi Koon Ming
Mr. Chan Cheuk Ho

Pursuant to Article 83(3) of the Articles and the code provision A.4.2 of the CG Code, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election. All Directors appointed with effect from 12 July 2022 shall retire and be eligible for re-election at the forthcoming AGM of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of the Directors are disclosed in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company pursuant to which he has agreed to act as an executive Director for an initial term of three years and shall be renewed automatically upon the expiry of such initial term. Either party has the right to give not less than three months' written notice to terminate the service agreement.

Each of the non-executive Directors has been appointed for an initial fixed term of three years and shall be renewed automatically upon the expiry of such initial term unless terminated by either party giving at least three months' written notice of non-renewal. Save for the Directors' fees, none of the non-executive Directors is expected to receive any other emolument for holding his office as an non-executive Director.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting has proposed or entered into any service agreement or appointment letter with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than the statutory compensation.

CONFIRMATION OF INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a written annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles, the Directors shall be entitled to be indemnified out of the assets or profits of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. Such provisions were in force during the course of the financial year ended 31 March 2023 and remained in force as of the date of this report.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and senior management of the Group during the year ended 31 March 2023.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals are set out in note 11 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

The executive Directors, the independent non-executive Directors and senior management receive compensation in the form of directors' fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies in the industry, time commitment and performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for provision of services to the Group or executing their functions in relation to the Group's operations. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies in the industry, respective responsibilities of the Directors and performance of the Group.

The Remuneration Committee reviews and determines the remuneration and compensation packages of the Directors with reference to their experience, responsibilities, workload, time devoted to the Group and performance of the Group. The Directors may also be offered options under the share option scheme.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 31 March 2023, none of the Directors or the chief executive of the Company has any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which (a) would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which such Directors and chief executives of the Company were taken or deemed to have under such provisions of the SFO); or (b) would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) would be required, pursuant to the Model Code or Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2023, so far as it is known to the Directors or chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was expected, directly or indirectly, to be interested in 10% or more of the issued voting shares of any other member of the Group:

Name of substantial shareholders	Nature of interest/ holding capacity	Percentage of issued share capital of the Company	Percentage of issued share capital of the Company (note 1)
EPS Holdings, Inc. ("**EPS HD**")	Beneficial owner	375,000,000 (L) (notes 2 and 4)	75%
Shinyou KK	Interest of a controlled corporation	375,000,000 (L) (notes 2 and 4)	75%
Y&G Limited	Interest of a controlled corporation	375,000,000 (L) (notes 2 and 4)	75%
Mr. Yan Hao ("**Mr. Yan**")	Interest of a controlled corporation	375,000,000 (L) (notes 2 and 4)	75%
RIN HOLDING CO., LIMITED ("**RIN HOLDING**")	Beneficial owner	100,000,000 (L) (notes 3 and 4)	20%
TAIGA INDUSTRIAL CO., LTD ("**TAIGA INDUSTRIAL**")	Interest of controlled corporation	100,000,000 (L) (notes 3 and 4)	20%
Mr. He Jun ("**Mr. He**")	Interest of controlled corporation	100,000,000 (L) (notes 3 and 4)	20%

Notes:

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

2. EPS HD is wholly-owned by Shinyou KK, a company incorporated in Japan which is owned as to approximately 71.80% by Y&G Limited, also a company incorporated in Japan which is in turn wholly-owned by Mr. Yan. Mr. Yan is also directly interested in approximately 2.32% of the shareholding interest of Shinyou KK. By virtue of the SFO, Mr. Yan is deemed to be interested in these shares held by EPS HD.

3. RIN HOLDING is 95% owned by TAIGA INDUSTRIAL, a company incorporated in Japan which is in turn 93% owned by Mr. He. By virtue of the SFO, each of TAIGA INDUSTRIAL and Mr. He is deemed to be interested in these shares held by RIN HOLDING.

4. The letter "L" denotes a long position in the Shares.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Scheme**") on 31 May 2017. The primary purpose of the Scheme is to provide incentives or rewards to eligible employees and other selected participants as specified under the Scheme.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option scheme of the Group) to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue at the time dealings in the Shares first commence on the Stock Exchange, i.e. 50,000,000 Shares (representing 10% of the total issued share capital of the Company as at the date of this report), without prior approval from the Shareholders. The Company may, subject to the issue of a circular, the Shareholders' approval in general meeting and/or such other requirements prescribed under the Listing Rules, refresh this limit at any time to 10% of the total number of shares in issue as at the date of the Shareholders' approval. The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme of the Group to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being, without prior approval from the Shareholders. Options granted to substantial Shareholders or independent non-executive Directors or any of their respective associates as defined under the Scheme which would result in the shares issued and to be issued upon exercise of all options under the Scheme already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant represent in aggregate in excess of 0.1% of the Company's issued share capital and with an aggregate value in excess of HK$5.0 million must be approved in advance by the Shareholders.

Options granted must be taken up within 21 days of the date of the offer of grant of the option. A nominal consideration of HK$1.00 is payable on acceptance of the grant of an option.

Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the Directors but in any event not exceeding 10 years. The exercise price is determined by the Directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant of the option; and (iii) the nominal value of a share. No option has been granted since the adoption of the Scheme and no option was cancelled during the financial year ended 31 March 2023. The Scheme will remain in force for a period of 10 years commencing on the date on which the Scheme is adopted.

EQUITY-LINKED AGREEMENTS

Save as the share option scheme of the Company disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 March 2023 or subsisted as at 31 March 2023.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the sections headed "Connected Transactions" and "Continuing Connected Transactions" below and in note 34 to the consolidated financial statements of this annual report, no Director nor any connected entity of a Director had any material interest, either directly or indirectly, in any transactions, arrangements or contract of significance in relation to the business of the Group, to which the Company or any of its subsidiaries was a party subsisting during or at the end of the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year ended 31 March 2023, none of the Directors nor any of their respective close associates (as defined in the Listing Rules), engaged in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group, or had any other conflict of interest with the Group.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year are set out in note 34 to the consolidated financial statements in this annual report, all of which are either a connected transaction or a continuing connected transaction as defined under the Listing Rules during the year ended 31 March 2023. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Details of the connected transactions are summarised in the sections headed "Connected Transactions" and "Continuing Connected Transactions" below.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sections headed "Connected Transactions" and "Continuing Connected Transactions" below and in note 34 to the consolidated financial statements of this annual report, no other contracts of significance between the Company or any of its subsidiaries and the controlling shareholder or any of its subsidiaries subsisted at the end of the year or at any time during the year, whether for the provision of services to the Company or any of its subsidiaries by any controlling shareholder or any of its subsidiaries or otherwise.

CONNECTED TRANSACTIONS

Acquisition of the equity interests in three PRC companies

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 "Sale Interests"). The total consideration for the sale and purchase of the Sale Interests is approximately RMB2.85 million (equivalent to approximately HK$3.24 million).

The vendor is wholly-owned by EPS Ekishin Co., Ltd., which is owned as to 65% by EPS Holdings, Inc., the controlling shareholder of the Company interested in 375,000,000 Shares, representing 75% of the issued share capital of the Company. Accordingly, the vendor is a connected person of the Company and the acquisition constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcements of the Company dated 20 September 2022 and 26 September 2022.

Acquisition of the entire equity interest in EP Trading Co., Ltd.

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).

The vendor is owned as to 65% by EPS Holdings, Inc., the controlling Shareholder of the Company interested in 375,000,000 Shares, representing 75% of the issued share capital of the Company. Accordingly, the Vendor is a connected person of the Company and the Acquisition constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 7 December 2022.

* *For identification purpose only*

CONTINUING CONNECTED TRANSACTIONS

Tenancy agreement between the Group and Firenze Apparel Limited ("Firenze")

On 3 January 2022, Speed Apparel (HK) Limited ("Speed Apparel HK"), a subsidiary of the Company, entered into a renewal tenancy agreement (the "Tenancy Agreement") with Firenze for the leasing of a property located at the principal place of business of the Company in Hong Kong (the "Property") to the Group for a monthly lease payment of HK$100,000 from 1 February 2022 to 31 January 2024 (both days inclusive). The Property was used as a head office and the principal place of business of the Group in Hong Kong. Pursuant to the Tenancy Agreement, Firenze agreed to pay management fee and government rates and government rent. The monthly lease payment under the Tenancy Agreement was determined on an arm's length basis between the parties thereto by reference to the prevailing market rates. The aggregate lease paid by the Group under the Tenancy Agreement was HK$1,200,000 for the year ended 31 March 2023 (for the year ended 31 March 2022: HK$1,200,000).

Since Firenze is owned as to 100% by Mr. Chan Wing Kai, being a former executive director, chief executive officer of the Company and a substantial shareholder within the past 12 months, Firenze is considered as a connected person of the Company under the Listing Rules. As such, the leasing of the Property by the Group from Firenze under the Tenancy Agreement constituted a continuing connected transaction of the Group under Chapter 14A of the Listing Rules.

Tenancy agreement between the Group and タマホーム株式会社

Also, during the year, Speed Apparel Japan 合同会社 ("Speed Apparel Japan"), a subsidiary of the Group leased a property from タマホーム株式会社, which is a management company engaged by Yan Hao (controlling shareholder of ultimate holding company) who is the ultimate beneficial owner of the property. A tenancy agreement was entered into on 11 January 2022 for a monthly lease payment of JPY1,125,920 from 11 January 2022 to 10 January 2024. The property was used as a business office in Japan. The monthly lease payment under the tenancy agreement was determined on an arm's length basis between the parties thereto by reference to the prevailing market rates. The aggregate amount of lease payment made by the Group was JPY13,511,040 for the year ended 31 March 2023 (for the year ended 31 March 2022: JPY3,377,760). Yan Hao ("Mr. Yan") is considered as a connected person of the Group under the Listing Rules. As such, the leasing of the property from the management company which Mr. Yan is the ultimate beneficial owner constituted a continuing connected transaction of the Group under Chapter 14A of the Listing Rules.

Since the aggregate annual consideration is less than HK$3,000,000, the transactions under the tenancy agreements with Firenze and タマホーム株式会社 fall within the de minimis threshold and constitute de minimis continuing connected transactions of the Group under Rule 14A.76(1)(c) of the Listing Rules. Accordingly, both tenancy agreements and the transactions contemplated thereunder will be exempted from the requirements of reporting, annual review, announcement, circular and independent Shareholders' approval under Chapter 14A of the Listing Rules.

Purchase of goods

During the year, one Japanese subsidiary (2022: Nil) of the Group purchased pre-clinical animal testing consumables from its ultimate holding company's USA subsidiary and the total purchase amounted to HKD8.0 million (2022: Nil).

CRO services arrangement

During the year, the four PRC subsidiaries (2022: Nil) of the Group provided CRO services to its ultimate holding company's subsidiaries and the total revenue in relation to the CRO services during the year amounted to HK$2,655,000 (2022: Nil).

Sharing of administrative services expenses and services costs arrangement

During the year, five (2022: three) Japanese subsidiaries of the Group shared administrative services expenses and services costs with ultimate holding company. Administrative expenses and services costs incurred during the year amounted to HK$25,041,000 (2022: HK$5,729,000). The transactions relating to the sharing of the administrative services and services costs between the Group and its ultimate holding company are on a cost basis, and such costs were identifiable in proportion to the services received by the Group and had been allocated to the Group on a fair and equitable basis. Accordingly, such transactions constituted fully exempt continuing connected transactions under Rule 14A.98 of the Listing Rules.

Save as disclosed above, the Group has not entered into any connected transaction or continuing connected transaction during the year ended 31 March 2023 which should be disclosed pursuant to the requirements under Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any part of the business of the Group were entered into or existed during the year ended 31 March 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company complies with the minimum of public float as required under the Listing Rules as at the date of this report.

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 current year revenue target and profit target 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 the 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 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.

CHANGE IN AUDITOR

KPMG resigned as the external auditor of the Group with effect from 28 February 2023.

Deloitte Touche Tohmatsu, Certified Public Accountants ("**Deloitte**"), has been appointed as the external auditor of the Group with effect from 28 February 2023, to fill the casual vacancy following the retirement of KPMG and to hold office until the conclusion of the next annual general meeting of the Company.

The consolidated financial statements for the year ended 31 March 2023 have been audited by Deloitte, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

Save as disclosed above, there was no other change in the auditors of the Company in the preceding three years.

By order of the Board
Okoso Satoshi
Chairman and executive Director

Hong Kong, 29 June 2023

TO THE SHAREHOLDERS OF EPS CREATIVE HEALTH TECHNOLOGY GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of EPS Creative Health Technology Group Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 82 to 151, which comprise the consolidated statement of financial position as at 31 March 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 March 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 29 June 2022.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the key audit matter
Revenue recognition in trading of knitwear apparel products We identified the revenue recognition in trading of knitwear apparel products as key audit matter due to revenue is one of the key performance indicators of the Group and could be subject to manipulation to meet targets or expectations, such as profit and revenue guarantees. The Group evaluates the contractual and shipping terms of each customer contract in order to determine the appropriate timing for revenue recognition. Revenue from trading of apparel products is recognised at a point in time when control of the goods has been transferred to the customers in accordance with the contractual arrangements and related agreed commercial shipping terms. As detailed in note 5 to the consolidated financial statements, the revenue from trading of knitwear apparel products amounting to approximately HK$381,500,000 for the year ended 31 March 2023.	Our audit procedures in relation to revenue recognition in trading of knitwear apparel products included: • obtaining an understanding and evaluating the effectiveness of the Group's key internal controls over revenue recognition in trading of knitwear apparel products; • inspecting customer contracts, on a sample basis, to understand key terms of sale transactions including the terms of delivery and sale returns and assessing if the related revenue was properly recognised in accordance with such contractual terms and with reference to the requirements of the prevailing accounting standards; • testing recorded revenue transactions on a sample basis, against corresponding customer contracts, goods delivery notes and shipping documents that evidenced control of goods have been transferred; • testing, on a sample basis, whether revenue transactions recorded around financial year end date had been recognised in the appropriate financial period by tracing sales invoices, shipping documents and the terms as set out in customer contracts; and • performing revenue analysis by products and customers to assess the reasonableness of the revenue recognised.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chung Chin Cheung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 June 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000 (restated)
Revenue	5	**452,906**	519,947
Cost of sales		**(385,059)**	(443,166)
Gross profit		**67,847**	76,781
Other income and loss	7	**(261)**	(3,702)
Other expenses	8	**(13,040)**	(11,249)
Selling and distribution expenses		**(33,768)**	(31,772)
Administrative expenses		**(63,144)**	(48,188)
Loss from operations		**(42,366)**	(18,130)
Finance costs	9	**(5,795)**	(4,614)
Loss before tax	8	**(48,161)**	(22,744)
Taxation	10	**(2,125)**	(3,529)
Loss for the year		**(50,286)**	(26,273)
Attributable to:			
Owners of the Company		**(45,737)**	(22,600)
Non-controlling interests		**(4,549)**	(3,673)
Loss for the year		**(50,286)**	(26,273)
Loss per share			
Basic and diluted (HK cents)	12	**(9.15)**	(4.52)

For the year ended 31 March 2023

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	Notes	31.3.2023 HK$'000	31.3.2022 HK$'000 (restated)
Non-current assets			
Property, plant and equipment	14	**3,387**	2,523
Right-of-use assets	15	**2,666**	4,763
Other financial assets	16	**2,977**	2,977
Refundable rental deposits	19	**1,732**	1,654
		10,762	11,917
Current assets			
Inventories	17	**16,871**	19,856
Contract assets	18	**2,786**	227
Trade and other receivables	19	**56,488**	55,359
Tax recoverable		**116**	1,060
Pledged bank deposits	20	**9,000**	–
Cash and cash equivalents	21	**131,471**	208,141
		216,732	284,643
Current liabilities			
Trade and other payables and accruals	22	**34,347**	36,451
Contract liabilities	24	**5,648**	1,744
Amounts due to related companies	25	**70,585**	35,784
Amount due to ultimate holding company	25	**318**	4,363
Lease liabilities	23	**2,564**	2,679
Tax payable		**1,722**	1,267
		115,184	82,288
Net current assets		**101,548**	202,355
Total assets less current liabilities		**112,310**	214,272

	Notes	**31.3.2023 HK$'000**	31.3.2022 HK$'000 (restated)
Non-current liabilities			
Lease liabilities	*23*	**141**	2,099
Amounts due to related companies	*25*	**20,525**	72,271
Deferred tax liabilities	*27*	**–**	38
		20,666	74,408
Net assets		**91,644**	139,864
Capital and reserves			
Share capital	*28*	**5,000**	5,000
Reserves		**82,639**	126,319
Equity attributable to owners of the Company		**87,639**	131,319
Non-controlling interests	*31*	**4,005**	8,545
Total equity		**91,644**	139,864

The consolidated financial statements on pages 84 to 153 were approved and authorised for issue by the board of directors on 29 June 2023 and are signed on its behalf by:

Okoso Satoshi)
) Directors
Haribayashi Keikyo)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000 (Note i)	Special reserve HK$'000 (Note ii)	Capital reserve HK$'000 (Note iii)	Other reserve HK$'000 (Note iv)	Exchange reserve HK$'000 (Note v)	Retained profits (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2021	5,000	47,656	17,016	4,000	–	(34)	59,507	133,145	–	133,145
Loss for the year (restated)	–	–	–	–	–	–	(22,600)	(22,600)	(3,673)	(26,273)
Other comprehensive income (restated)	–	–	–	–	–	2,020	–	2,020	15	2,035
Total comprehensive income (expense) for the year (restated)	–	–	–	–	–	2,020	(22,600)	(20,580)	(3,658)	(24,238)
Changes in equity for 2022:										
Contribution from shareholder for providing interest free borrowings	–	–	–	–	9,993	–	–	9,993	–	9,993
Capital contributions from non-controlling interest	–	–	–	–	–	–	–	–	2,058	2,058
Adjustment arising from business combination under common control	–	–	–	–	25,643	(2,662)	(14,220)	8,761	10,145	18,906
At 31 March 2022 (restated)	5,000	47,656	17,016	4,000	35,636	(676)	22,687	131,319	8,545	139,864
At 1 April 2022 (as previously reported)	5,000	47,656	17,016	4,000	9,993	(164)	41,871	125,372	1,332	126,704
Business combination under common control	–	–	–	–	25,643	(512)	(19,184)	5,947	7,213	13,160
At 1 April 2022 (restated)	**5,000**	**47,656**	**17,016**	**4,000**	**35,636**	**(676)**	**22,687**	**131,319**	**8,545**	**139,864**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(45,737)**	**(45,737)**	**(4,549)**	**(50,286)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**379**	**–**	**379**	**9**	**388**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**–**	**379**	**(45,737)**	**(45,358)**	**(4,540)**	**(49,898)**
Changes in equity for 2023:										
Adjustment arising from business combination under common control *(note iv)*	**–**	**–**	**–**	**–**	**5,512**	**131**	**(3,965)**	**1,678**	**–**	**1,678**
At 31 March 2023	**5,000**	**47,656**	**17,016**	**4,000**	**41,148**	**(166)**	**(27,015)**	**87,639**	**4,005**	**91,644**

Notes:

(i) The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company. The application of share premium is governed by Section 34 of Cayman Companies Act and the provision of the Company's memorandum and articles association.

(ii) Special reserve represents the corresponding movements in reserves of the Group as a result of the group reorganisation of Speed Apparel Limited and Firenze Apparel Limited completed on 1 February 2016. None of these entities formed part of the Group but are held and controlled by Mr. Chan Wing Kai, the then controlling shareholder of the Company at that time.

(iii) Capital reserve represents the difference between the nominal value of the one share of the Company issued as part of the reorganisation to acquire Knit World International Limited ("Knit World"), a subsidiary of the Company, from the then controlling shareholder of the Company and the nominal value of the then issued share capital of Knit World.

(iv) Other reserve represents (i) the shareholder contribution for providing an interest free borrowings to the Company in connection with sales and purchase agreement set out in note 34(b); (ii) the effect arising from the business combination involving entities under common control on 26 April 2021; (iii) the total consideration for the acquisition of the Combining Entities (as defined and detailed in note 2) of HK$8,842,000 which was settled through the current accounts with the related companies and accounted for a deemed distribution; and (iv) deemed contribution arising from the wavier of amount due to a related company of HK$14,354,000 in the book of the Combining Entities during the year ended 31 March 2023. In addition, during the year ended 31 March 2023, there is dividend recognised as distribution by a subsidiary under business combination under common control before completion of acquisition of HK$3,965,000, which was settled through current account with a related company.

(v) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	2023 HK$'000	2022 HK$'000 (restated)
OPERATING ACTIVITIES		
Loss before tax	(48,161)	(22,744)
Adjustments for:		
Depreciation of property, plant and equipment	1,501	1,115
Depreciation of right-of-use assets	2,981	2,481
Loss on disposal of property, plant and equipment	1	3
Fair value loss on financial assets at fair value through profit or loss	–	563
Finance costs	5,795	4,614
Interest income	(190)	(37)
Operating cash flows before working capital changes	(38,073)	(14,005)
Decrease (increase) in inventories	2,777	(3,449)
(Increase) decrease in trade and other receivables	(1,606)	13,059
(Decrease) increase in trade and other payables and accruals	(1,751)	7,177
Increase in contract assets	(2,559)	(227)
Increase in contract liabilities	3,904	1,744
Cash (used in) generated from operations	(37,308)	4,299
Income tax paid	(799)	(277)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(38,107)	4,022
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,409)	(283)
Release of pledged bank deposit	–	8,137
Placement of pledged bank deposit	(9,000)	–
Payment of rental deposit	(164)	–
Interest received	190	37
Payment for purchase of financial assets	–	(3,540)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(11,383)	4,351

For the year ended 31 March 2023

	2023 HK$'000	2022 HK$'000 (restated)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	–	1,124
Repayment of bank borrowings	–	(1,632)
Advances from related parties	–	114,352
Repayment to related parties	(18,267)	–
Repayment to ultimate holding company	(4,045)	–
Repayment of lease liabilities	(3,083)	(2,527)
Interest paid	(2,360)	(918)
Capital contribution from non-controlling interests	–	2,058
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(27,755)	112,457
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(77,245)	120,830
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	208,141	85,235
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	575	2,076
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	131,471	208,141

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. Its immediate and ultimate holding company of the Company is EPS Holdings, Inc. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Flat A, 17/F., Gemstar Tower, 23 Man Lok Street, Hung Hom, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries (collectively referred to as the "Group") are principally selling knitwear apparel products to its customers, Japan-People's Republic of China ("PRC") specialised contract research organisation ("CRO") and innovative research organisation ("IRO") services. The Group is also engaged in in-house drug discovery and development. The principal activities of the subsidiaries are set out in note 31.

The immediate and ultimate holding company is EPS Holdings, Inc. A company incorporated in Japan with limited liability, the issued shares of which were listed on the Tokyo Stock Exchange until its subsequent privatisation on 17 September 2021.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND PRESENTATION 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 of Hong Kong ("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 in note 3 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 certain financial instruments that are measured at fair values at the end of the reporting period, as explained in the accounting policies set out in note 3 below.

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 cash consideration of approximately Japanese Yen ("JPY") 99.4 million (equivalent to approximately HK$5.6 million).

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Merger accounting for business combination involving entities under common control (Continued)

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 statement of financial position as at 1 April 2021.

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Merger accounting for business combination involving entities under common control (Continued)

The effect of restatements described above on the consolidated statement of profit or loss and consolidated statement of profit or loss and other 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	(362,101)	(81,065)	(443,166)
Gross profit	62,555	14,226	76,781
Other income and loss	(1,716)	(1,986)	(3,702)
Other expenses	–	(11,249)	(11,249)
Selling and distribution costs	(31,489)	(283)	(31,772)
Administrative expenses	(41,357)	(6,831)	(48,188)
Loss from operations	(12,007)	(6,123)	(18,130)
Finance costs	(4,614)	–	(4,614)
Loss before tax	(16,621)	(6,123)	(22,744)
Taxation	(1,794)	(1,735)	(3,529)
Loss for the year	(18,415)	(7,858)	(26,273)
Attributable to:			
Owners of the Company	(17,636)	(4,964)	(22,600)
Non-controlling interests	(779)	(2,894)	(3,673)
Loss for the year	(18,415)	(7,858)	(26,273)
Other comprehensive (expense) income for the year:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(77)	2,112	2,035
Other comprehensive (expense) income for the year	(77)	2,112	2,035
Total comprehensive expense for the year	(18,492)	(5,746)	(24,238)
Total comprehensive expense attributable to:			
Owners of the Company	(17,766)	(2,814)	(20,580)
Non-controlling interests	(726)	(2,932)	(3,658)
	(18,492)	(5,746)	(24,238)

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Merger accounting for business combination involving entities under common control (Continued)

The effect of restatements on the consolidated statement of financial position as at 31 March 2022 is as follows:

	As previously reported *HK$'000*	Effect of business combination under common control *HK$'000*	As restated *HK$'000*
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
	10,188	1,729	11,917
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
	238,732	45,911	284,643
Current liabilities			
Trade and other payables and accruals	22,673	13,778	36,451
Contract liabilities	–	1,744	1,744
Amounts 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
	47,808	34,480	82,288
Net current assets	190,924	11,431	202,355
Total assets less current liabilities	201,112	13,160	214,272

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Merger accounting for business combination involving entities under common control (Continued)

	As previously reported	Effect of business combination under common control	As restated
	HK$'000	*HK$'000*	*HK$'000*
Non-current liabilities			
Lease liabilities	2,099	–	2,099
Amounts due to related companies	72,271	–	72,271
Deferred tax liabilities	38	–	38
	74,408	–	74,408
Net assets	126,704	13,160	139,864
Capital and reserves			
Share capital	5,000	–	5,000
Reserves	120,372	5,947	126,319
Equity attributable to owners of the Company	125,372	5,947	131,319
Non-controlling interests	1,332	7,213	8,545
Total equity	126,704	13,160	139,864

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Merger accounting for business combination involving entities under common control (Continued)

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

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

The effect of restatements on the consolidated statement of cash flows for the year ended 31 March 2022 is as follows:

	As previously reported *HK$'000*	Effect of business combination under common control *HK$'000*	As restated *HK$'000*
Operating activities			
Loss before tax	(16,621)	(6,123)	(22,744)
Adjustments for:			
Depreciation of property, plant and equipment	983	132	1,115
Depreciation of right-of-use assets	2,481	–	2,481
Loss on disposals of property, plant and equipment	4	(1)	3
Fair value loss on financial assets at fair value through profit or loss	563	–	563
Finance costs	4,614	–	4,614
Interest income	(23)	(14)	(37)
Exchange gain	(69)	69	–
Operating cash flows before working capital changes	(8,068)	(5,937)	(14,005)
Increase in inventories	(3,449)	–	(3,449)
Decrease in trade and other receivables	13,059	–	13,059
Increase in trade and other payables and accruals	7,177	–	7,177
Increase in contract assets	–	(227)	(227)
Increase in contract liabilities	–	1,744	1,744

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Merger accounting for business combination involving entities under common control (Continued)

	As previously reported *HK$'000*	Effect of business combination under common control *HK$'000*	As restated *HK$'000*
Cash generated from (used in) operations	8,719	(4,420)	4,299
Income tax refunded (paid)	1,327	(1,604)	(277)
Net cash from (used in) operating activities	10,046	(6,024)	4,022
Investing activities			
Purchase of property, plant and equipment	(54)	(229)	(283)
Release of pledged bank deposit	8,137	–	8,137
Interest received	23	14	37
Payment for purchase of financial assets	(3,540)	–	(3,540)
Net cash from (used in) investing activities	4,566	(215)	4,351
Financing activities			
Proceeds from bank borrowings	1,124	–	1,124
Repayment of bank borrowings	(1,632)	–	(1,632)
Advances from related parties	100,000	14,352	114,352
Repayment of lease liabilities	(2,527)	–	(2,527)
Interest paid	(918)	–	(918)
Capital contribution from non-controlling interests	2,058	–	2,058
Net cash from financing activities	98,105	14,352	112,457
Net increase in cash and cash equivalents	112,717	8,113	120,830
Cash and cash equivalents at the beginning of the year/period	85,235	–	85,235
Effect of foreign exchange rates changes	(2)	2,078	2,076
Cash and cash equivalents at the end of the year/period	197,950	10,191	208,141

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Merger accounting for business combination involving entities under common control (Continued)

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

Basic and diluted	HKD per share *(HK cents)*
As previously stated	(3.50)
Adjustments arising from business combination under common control	(1.02)
Restated*	(4.52)

* *Rounding difference*

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Application of amendments to HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Application of amendments to HKFRSs (Continued)

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

Application of Amendments to HKFRS 3 "Reference to the Conceptual Framework"

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 April 2022. The amendments update a reference in HKFRS 3 "Business Combinations" ("HKFRS 3") so that it refers to the "Conceptual Framework for Financial Reporting 2018" issued in June 2018 (the "Conceptual Framework") instead of "Framework for the Preparation and Presentation of Financial Statements" (replaced by the "Conceptual Framework for Financial Reporting 2010" issued in October 2010), add a requirement that, for transactions and events within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" ("HKAS 37") or HK(IFRIC)-Int 21 "Levies" ("HK(IFRIC)-Int 21"), an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2024

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Application of amendments to HKFRSs (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

HKAS 1 "Presentation of Financial Statements" ("HKAS 1") is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 "Definition of Accounting Estimates"

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" ("HKAS 8") is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies

Basis of consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group has power over the investee, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control stated above.

Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Merger accounting for business combination involving businesses under common control (Continued)

The consolidated income statement and consolidated statement of comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Contract costs

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises and office equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes other than properties construction in progress as described below, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets, other than construction in progress less their residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of assets other than financial assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Borrowing costs

All borrowing costs are recognised as and included in profit or loss in the period in which they are incurred as the Group does not have any qualifying assets.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rate prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve (attributable to non-controlling interests as appropriate).

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to subsidy income from government for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Retirement benefit costs

Payments to defined contribution retirement benefits scheme, state-managed retirement benefit scheme and Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial assets or financial liabilities and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets or financial liabilities, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of the reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and loss" line item.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, pledged bank deposit and cash and cash equivalents) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 (continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 (continued)

Credit-impaired financial assets

A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have been occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer of the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probably that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the relevant financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event. The Group usually writes off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice when appropriate. Any recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 (continued)

Measurement and recognition of ECL (Continued)

Lifetime ECL for certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial asset

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 (continued)

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the applications of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Group makes estimates and assumptions concerning the future. As the future is inherently uncertain, actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Provision of ECL for trade receivables

The Group estimates the provision of ECL for trade receivables by assessing the ECL collectively. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the trade receivables, and an assessment of both the current and forecast general economic conditions at the end of reporting period. Where the estimation is different from the original estimate, such difference will affect the carrying amounts of trade receivables, which is measured collectively under provision matrix, and thus the impairment loss in the period in which such estimate is changed. The information about the ECL and the Group's trade receivables are disclosed in notes 19 and 30. The carrying amount of trade receivables is HK$34,593,000 (2022: HK$27,802,000 (restated)).

5. REVENUE

Revenue from goods and services

The principal activities of the Group are engaged in trading of apparel and healthcare products and provision of healthcare services.

Disaggregation of revenue from contracts with customers by major products is as follows:

	2023 HK$'000	2022 HK$'000 (restated)
Trading of apparel products		
– Womenswear	**298,830**	323,635
– Menswear	**68,995**	61,875
– Kidswear	**13,675**	39,128
	381,500	424,638
Trading of healthcare products	**55,844**	79,518
Provision of IRO and CRO services	**15,562**	15,791
Total	**452,906**	519,947
Timing of revenue recognition:		
Over time	**15,562**	15,791
A point in time	**437,344**	504,156
	452,906	519,947

5. REVENUE (CONTINUED)

Revenue from goods and services (Continued)

Performance obligations for contracts with customers

Revenue from trading of apparel and healthcare products

Revenue from trading of apparel and healthcare products is recognised when the control of the products has been transferred to the customers, being at the point the goods are delivered to the customer's specific location. Transportation and other related activities that occur before customers obtains control of the related good are considered as fulfilment activities. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before the payment is due.

The normal credit term is 30 to 90 days upon issuance of invoice at product delivery.

The Group requires certain customers to provide upfront deposits ranging from 5% to 10% of total contract sum, when the Group receives a deposit before the apparel/healthcare products delivery, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of deposit.

Revenue from provision of IRO and CRO services

The Group provides Japan-PRC of IRO and CRO services to the customers. Such revenue are recognised as this performance obligation is satisfied over time because the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The progress towards completing satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's effort in terms of inputs (i.e. direct staff costs and other direct overhead costs incurred) to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, the best depicts the Group's performance in transferring control of products. Contract assets arise when the Group has right to consideration for satisfaction of a performance obligation under the relevant contracts, and the right is conditioned on factors other than passage of time. Contract assets are reclassified to trade receivables when such right become unconditional other than the passage of time. Invoices to the customers are issued upon the milestones completed to date. The normal credit term is 60 to 120 days upon the issuance of invoices to the customers. Credit period of 180 days is granted to a customer with whom the Group has a good relationship and who is in sound financial condition. The Group requires certain customers to provide upfront deposits ranging from 10% to 20% of total contract sum, when the Group receives a deposit before the commencement of healthcare services, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

Transaction price allocated to the remaining performance obligations

All the Group's contracts with customers with unsatisfied performance obligations have expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to the remaining performance obligations (unsatisfied or satisfied) as at 31 March 2023 and 2022 is not disclosed.

6. 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 to Healthcare Business (CRO and IRO business, healthcare product business 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 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 IRO and 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	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		(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	**452,906**	519,947	**(32,492)**	(10,198)
Bank interest income			**190**	37
Unallocated corporate expenses			**(15,733)**	(12,519)
Finance costs on lease liabilities			**(126)**	(64)
Loss before tax			**(48,161)**	(22,744)

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

6. SEGMENT INFORMATION (CONTINUED)

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				**27,132**
Consolidated assets				**227,494**
Segment liabilities	**99,823**	**17,593**	**15,538**	**132,954**
Other liabilities				**2,896**
Consolidated liabilities				**135,850**

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				14,686
Consolidated assets				296,560
Segment liabilities	126,992	4,989	13,850	145,831
Other liabilities				10,865
Consolidated liabilities				156,696

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

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

6. SEGMENT INFORMATION (CONTINUED)

Other Segment information (Continued)

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	**33,310**	32,444	**2,385**	3,597
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	**3,762**	2,706	**–**	–
	419,596	487,503	**3,668**	3,689
	452,906	519,947	**6,053**	7,286

Note: Non-current assets exclude financial assets.

6. SEGMENT INFORMATION (CONTINUED)

Geographic information (Continued)

Revenue from major customers:

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

	2023 HK$'000	2022 HK$'000 (restated)
Customer A (from Garment Business)	186,712	184,980
Customer B (note)	N/A	74,530

Note: Customer B does not contributed more than 10% of the total revenue in for the year ended 31 March 2023.

7. OTHER INCOME AND LOSS

	2023 HK$'000	2022 HK$'000 (restated)
Interest income	190	37
Sample sales income	922	1,100
Sundry income	543	322
Government grant *(note)*	1,150	–
Loss on disposal of property, plant and equipment	(1)	(3)
Fair value loss on financial assets at fair value through profit or loss	–	(563)
Loss on exchange difference, net	(1,213)	(4,595)
Others	(1,852)	–
	(261)	(3,702)

Note: For the year ended 31 March 2023, government grant represented the Employment Support Scheme launched by the Hong Kong Government of approximately HK$1,150,000 (2022: nil).

8. LOSS BEFORE TAX

	2023 ***HK$'000***	2022 *HK$'000* (restated)
Auditor's remuneration	**1,600**	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 an expense	**363,359**	423,459
Depreciation of property, plant and equipment	**1,501**	1,115
Depreciation of right-of-use assets	**2,981**	2,481
	4,482	3,596
Research and development expenses (included in other expenses)	**13,040**	11,249

9. FINANCE COSTS

	2023 ***HK$'000***	2022 *HK$'000*
Interest on:		
Bank borrowings	**–**	4
Factoring of trade receivables	**2,234**	850
Amounts due to related companies	**3,435**	3,696
Lease liabilities *(note 15)*	**126**	64
	5,795	4,614

10. TAXATION

Taxation in the consolidated statement of profit or loss represents:

	2023 **HK$'000**	2022 HK$'000 (restated)
The taxation comprises:		
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 year	**(281)**	(61)
Japan Corporate Income Tax		
Charge for the year	**940**	1,630
	2,163	3,621
Deferred tax credit for the year *(note 27)*	**(38)**	(92)
	2,125	3,529

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.

10. TAXATION (CONTINUED)

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

	2023 HK$'000	2022 HK$'000 (restated)
Loss before tax	**(48,161)**	(22,744)
Tax at the income tax rate of 16.5% (2022: 16.5%)	**(7,947)**	(3,753)
Tax effect of expenses not deductible for tax purpose	**3,851**	4,099
Tax effect of income not taxable for tax purpose	**32**	6
Tax effect of tax loss not recognised	**8,714**	3,799
Overprovision in prior year	**(281)**	(61)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(2,409)**	(730)
Tax effect of profit two-tiered tax rate	**165**	165
Others	**–**	4
Income tax expense	**2,125**	3,529

11. DIRECTORS' CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS

Directors' and chief executive's remuneration

The emoluments paid or payable of the ten (2022: thirteen) directors are as follows:

	For the year ended 31 March 2023			
	Fee HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	2023 Total HK$'000
Executive Directors				
Mr. Okoso Satoshi[(1)]	–	725	–	725
Mr. Gao Feng	–	1,335	18	1,353
Mr. Haribayashi Keikyo	–	555	–	555
Mr. Miyano Tsumora[(3)]	–	433	–	433
Mr. Maeaki Masahiro[(4)]	–	232	–	232
Non-executive Directors				
Mr. Liang Fei[(2)]	34	–	–	34
Mr. Xia Xiang Ming[(5)]	82	–	–	82
Independent non-executive Directors				
Mr. Taguchi Junichi	120	–	–	120
Mr. Choi Koon Ming	120	–	–	120
Mr. Chan Cheuk Ho	120	–	–	120
	476	3,280	18	3,774

11. DIRECTORS' CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS (CONTINUED)

Directors' and chief executive's remuneration (Continued)

Notes:

(1) Appointed as Executive Director and the chief executive of the Company and his remuneration disclosed above included those for services rendered by him as chief executive with effect from 12 July 2022.
(2) Resigned as Non-Executive Director with effect from 12 July 2022.
(3) Appointed as Executive Director with effect from 12 July 2022.
(4) Appointed as Executive Director with effect from 22 August 2022.
(5) Appointed as Non-executive Director with effect from 12 July 2022.

	For the year ended 31 March 2022			
	Fee HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	2022 Total HK$'000
Executive Directors				
Mr. Gao Feng[1]	–	1,400	14	1,414
Mr. Haribayashi Keikyo[1]	–	480	28	508
Mr. Chan Wing Kai[2], [7]	–	1,632	18	1,650
Mr. Ng Ming Ho[2], [7]	–	677	18	695
Non-executive Directors				
Mr. Okoso Satoshi[3]	100	–	–	100
Mr. Liang Fei[3]	100	–	–	100
Independent non-executive Directors				
Mr. Taguchi Junichi[4]	90	–	–	90
Mr. Choi Koon Ming[4]	90	–	–	90
Mr. Chan Cheuk Ho[5]	90	–	–	90
Ms. Chan Siu Lai[6]	30	–	–	30
Mr. Kwok Chi Shing[6]	30	–	–	30
Mr. Ma Kwok Fai, Edwin[6]	30	–	–	30
Mr. Cheung Kwok Yu[8]	–	–	–	–
	560	4,189	78	4,827

Notes:

(1) Appointed as Executive Director and the chief executive of the Company and his remuneration disclosed above included those for services rendered by him as chief executive with effect from 1 June 2021.
(2) Resigned as Executive Director with effect from 30 June 2021.
(3) Appointed as Non-executive Director with effect from 1 June 2021.
(4) Appointed as Independent non-executive Director with effect from 30 June 2021.
(5) Appointed as Independent non-executive Director with effect from 9 July 2021.
(6) Resigned as Independent non-executive Director with effect from 30 June 2021.
(7) Mr. Chan Wing Kai and Mr. Ng Ming Ho continually serves the Group as employees under a subsidiary after resigned as Executive Director, the amount above represents their annual salary package.
(8) Appointed as Independent non-executive Director with effect from 30 June 2021 and resigned with effect from 9 July 2021.

11. DIRECTORS' CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS (CONTINUED)

Five highest paid individual

Of the five individuals with the highest emoluments, one (2022: three) are directors whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the other four (2022: two) individuals are as follows:

	2023	2022
	HK$'000	*HK$'000*
Salary and other emoluments	**4,272**	1,905
Retirement scheme contributions	**72**	33
	4,344	1,938

The emoluments of the four (2022: two) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2023	2022
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	1

During the year ended 31 March 2023, no emoluments (2022: nil) were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. 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.

13. DIVIDENDS

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

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement *HK$'000*	Furniture and office equipment *HK$'000*	Total *HK$'000*
Cost			
At 1 April 2021	2,558	4,968	7,526
Business combination under common control *(note 2)*	–	1,919	1,919
Additions	–	283	283
Disposals	–	(10)	(10)
Exchange difference	–	(4)	(4)
At 31 March 2022 (restated)	2,558	7,156	9,714
Additions	–	2,409	2,409
Disposals	–	(23)	(23)
Exchange difference	–	(108)	(108)
At 31 March 2023	2,558	9,434	11,992
Accumulated depreciation			
At 1 April 2021	2,547	2,593	5,140
Business combination under common control *(note 2)*	–	946	946
Charge for the year	11	1,104	1,115
Written back on disposals	–	(6)	(6)
Exchange difference	–	(4)	(4)
At 31 March 2022	2,558	4,633	7,191
Charge for the year	–	1,501	1,501
Written back on disposals	–	(22)	(22)
Exchange difference	–	(65)	(65)
At 31 March 2023	2,558	6,047	8,605
Net book value			
At 31 March 2023	–	3,387	3,387
At 31 March 2022	–	2,523	2,523

The above items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvement	Over the period of the relevant lease or 5 years, whichever is shorter
Furniture and office equipment	20% per annum

15. RIGHT-OF-USE ASSETS

	Office premises leased for own use *HK$'000*
COST	
At 1 April 2021	5,044
Additions	5,499
Eliminated upon lease expired	(5,037)
Exchange differences	(107)
At 31 March 2022	5,399
Additions	1,087
Exchange differences	(215)
At 31 March 2023	6,271
Accumulated depreciation	
At 1 April 2021	3,218
Charge for the year	2,481
Eliminated upon lease expired	(5,037)
Exchange differences	(26)
At 31 March 2022	636
Charge for the year	2,981
Exchange differences	(12)
At 31 March 2023	3,605
Net book value	
At 31 March 2023	2,666
At 31 March 2022	4,763

The office premises leased for own use are depreciated over the terms of the lease.

15. RIGHT-OF-USE ASSETS (CONTINUED)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2023	2022
	HK$'000	*HK$'000*
		(restated)
Depreciation charge		
– Office premises leased for own use	**2,981**	2,481
Interest on lease relating liabilities *(note 9)*	**126**	64
Expense to short-term leases	**3,449**	2,706
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**5**	5
Total cash outflow for leases	**6,648**	5,302

During the year, additions to right-of-use assets and lease liabilities were approximately HK$1,087,000 (2022: HK$5,499,000) and HK$1,072,000 (2022: HK$5,499,000) respectively. This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of two years.

16. OTHER FINANCIAL ASSETS

On 30 August 2021, the Group entered into a limited partnership agreement, pursuant to which the Group, as a limited partner, has undertaken to invest JPY100,000,000 (equivalent to approximately HK$7,100,000) in the limited partnership ("The Limited Partnership").

The Limited Partnership has been established in Japan under the Limited Partnership Act for Investment and the principal objective is to invest in startups, early-stage, and emerging companies that have high growth potential in industries such as healthcare, intelligent manufacturing, technology, and consumer services. The Limited Partnership will be managed by a general partner.

The directors of the Company considered the Group has neither significant influence nor joint control over the Limited Partnership and therefore it is classified as financial assets at fair value through profit or loss in accordance with the requirements under HKFRS 9. Details of the transaction have been disclosed in the Company's announcement dated 30 August 2021.

As at 31 March 2023, the unpaid capital commitment on investment in the Limited Partnership is JPY50,000,000 (equivalent to HK$2,945,000) (2022: JPY50,000,000 (equivalent to HK$3,200,000)).

During the year ended 31 March 2023, there are no change in the fair value on the Limited Partnership.

16. OTHER FINANCIAL ASSETS (CONTINUED)

During the year ended 31 March 2022, net unrealised fair value loss on the Limited Partnership of approximately HK$563,000, was recognised in the consolidated statement of profit or loss.

Details of the fair value measurement are set out in note 30.

17. INVENTORIES

	2023	2022
	HK$'000	*HK$'000*
		(restated)
Raw materials	**1,803**	4,662
Work-in-progress	**1,678**	4,744
Finished goods	**13,390**	10,450
	16,871	19,856

18. CONTRACT ASSETS

	2023	2022
	HK$'000	*HK$'000*
Contract assets from provision of IRO and CRO services	**2,786**	227

As at 1 April 2021, there are no contract assets.

The contract assets primarily relate to the Group's right to consideration from the customers for the tailoring provision of IRO and CRO services. Contract assets arise when the Group has right to consideration for the work completed under relevant contracts and their right is conditioned on factors other than passage of time. The contract assets are transferred to trade receivables upon the delivery and acceptance of products by customers.

Typical payment terms is 60 to 120 days upon delivery.

The Group classifies these contract assets as current assets because the Group expects to realise them in its normal operating cycle which is within 12 months after the end of the reporting period.

Details of the impairment assessment are set out in note 30.

19. TRADE AND OTHER RECEIVABLES

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

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

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

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 HK$'000	2022 HK$'000 (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	2,481	2,129
	34,593	27,802

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing analysis (Continued)

Trade receivables of approximately HK$24,777,000 (2022: HK$10,018,000) were denominated in United States dollars ("USD") as at 31 March 2023, the currency other than the functional currency of the respective group entities.

As at 31 March 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$6,573,000 (2022: HK$5,601,000) which are past due as at the reporting date. Out of the past due balances, HK$93,000 (2022: Nil) has been past due 90 days or more and is not considered as in default. With reference to the historical records, past experience and also available reasonable and supportive forward-looking information to those customers, the directors of the Company do not consider these receivables as credit-impaired as these customers have a good business relationship with the Group and recurring overdue records of these customers with satisfactory settlement history.

Details of impairment assessment of trade and other receivables for the years ended 31 March 2023 and 2022 are set out in note 30.

20. PLEDGED BANK DEPOSITS

There was no pledged bank deposits as at 31 March 2022. As at 31 March 2023, the Group entered into two banking facilities agreements with the amount in aggregate up to approximately HK$20,000,000. Bank deposits of HK$9,000,000 was pledged to secure the facilities as at 31 March 2023.

The pledged bank deposits carry interest rate with a range from 0.6% to 3.8% per annum.

Details of impairment assessment of pledged bank deposits for the year ended 31 March 2023 are set out in note 30.

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include demand deposits and short term deposits for the purpose of meeting the Group's short term cash commitments

As at 31 March 2023, bank balances of approximately HK$4,503,000 (2022: Nil), HK$15,375,000 (2022: HK$18,660,000), HK$30,507,000 (2022: HK$53,700,000) and HK$45,000 (2022: HK$20,000) are amounts denominated in HKD, JPY, USD and RMB respectively, the currencies other than the functional currencies of the respective group entities.

The bank balances carry interest rates with a range from 0.1% to 5.35% (2022: 0.1% to 3.86%).

Details of impairment assessment of cash and cash equivalents for the years ended 31 March 2023 and 2022 are set out in note 30.

22. TRADE AND OTHER PAYABLES AND ACCRUALS

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

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

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

The credit period ranges from 30 to 45 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

Trade and other payables of approximately HK$4,271,000 (2022: HK$3,166,000) were denominated in RMB as at 31 March 2023, the currency other than the functional currencies of the respective group entities.

23. LEASE LIABILITIES

	2023 **HK$'000**	2022 *HK$'000* (restated)
Within one year	**2,564**	2,679
Within a period of more than one year but less than two years	**141**	2,099
	2,705	4,778
Less: Amount due for settlement with 12 months shown under current liabilities	**(2,564)**	(2,679)
Amount due for settlement after 12 months shown under non-current liabilities	**141**	2,099

Lease liabilities that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2023 **HK$'000**	2022 *HK$'000* (restated)
Denominated at HK$ against RMB	**432**	1,163
Denominated at HK$ against JPY	**581**	1,458

The weighted average incremental borrowing rates applied to lease liabilities range from 2.8% to 5.75% (2022: from 2.76% to 4.1%).

24. CONTRACT LIABILITIES

	2023 **HK$'000**	2022 *HK$'000* (restated)
Contract liabilities from trading of apparel products	**1,572**	24
Contract liabilities from healthcare products	**110**	260
Contract liabilities from provision of IRO and CRO services	**3,966**	1,460
	5,648	1,744

As at 1 April 2021, there are no contract liability.

Contract liabilities are classified as current liabilities because the Group expects to settle them within 12 months after the end of the reporting period.

24. CONTRACT LIABILITIES (CONTINUED)

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

When the Group receives a deposit before the garment and healthcare products delivery, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit. The Group receives a 5% to 10% deposit on acceptance of orders for trading of garment and healthcare products from certain customers.

When the Group receives a deposit before the completion of milestones under provision of IRO and CRO services, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit. The Group receives a 10% to 20% deposit on from certain customers when the contract for healthcare services signed.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	HK$'000
For the year ended 31 March 2023	
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	1,744
For the year ended 31 March 2022	
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	–

25. AMOUNTS DUE TO RELATED COMPANIES/ULTIMATE HOLDING COMPANY

	2023 ***HK$'000***	2022 *HK$'000* (restated)
Amounts due to related companies		
Carrying amount 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	**–**	51,745
	91,110	108,055
Less: Amount due for settlement within one year (shown under current liabilities)	**(70,585)**	(35,784)
Amount due for settlement after one year	**20,525**	72,271

25. AMOUNTS DUE TO RELATED COMPANIES/ULTIMATE HOLDING COMPANY (CONTINUED)

Except from the amount due to a related company of HK$76,752,000 (2022: HK$93,703,000) as disclosed in note 34(b), the remaining balances due to related companies (which are fellow subsidiaries of the Group) are unsecured, interest free and repayable on demand.

	2023	2022
	HK$'000	*HK$'000*
Amount due to ultimate holding company	**318**	4,363

The amount due to ultimate holding company are unsecured, interest free and repayable on demand.

26. EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$18,000 (2022: HK$18,000). Contributions to the plan vest immediately.

There were no forfeited contributions utilised by the Group to reduce the existing level of contributions under the Group's MPF Scheme.

The employees of the Group's subsidiaries in the PRC and Japan are members of the state-managed retirement benefit schemes operated by the respective government. The Company's subsidiaries in the PRC and Japan are required to contribute a certain percentage of their employees' payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. The Group has no legal constructive obligations to pay further contributions.

27. DEFERRED TAX

	2023	2022
	HK$'000	*HK$'000*
Deferred tax liabilities	**–**	38

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation
	HK$'000
At 1 April 2021	130
Credited to profit or loss	(92)
At 31 March 2022	38
Credited to profit or loss	(38)
At 31 March 2023	**–**

In accordance with the accounting policy set out in note 3, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$93,905,000 (2022: HK$41,093,000 (restated)) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The cumulative tax losses of HK$88,075,000 (2022: HK$36,692,000 (restated)) will expire within 10 years and HK$5,830,000 (2022: HK$4,401,000) do not expire under current tax legislation.

At 31 March 2023, temporary differences relating to the undistributed profits of subsidiaries amounted to HK$6,703,000 (2022: HK$2,738,000). Deferred tax liabilities of HK$979,000 (2022: HK$452,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

28. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

	Number of shares	Share capital *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2021, 31 March 2022 and 31 March 2023	1,000,000,000	10,000
Issued and fully paid:		
At 1 April 2021, 31 March 2022 and 31 March 2023	500,000,000	5,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

29. CAPITAL RISK MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

At 31 March 2023, the Group did not have any bank borrowings (2022: Nil). As at 31 March 2023, the Group has outstanding notes and interest-free revolving loan amounting to HK$76,752,000 (2022: HK$93,703,000) from Speed Development Co. Ltd, the former controlling shareholder of the Group, in relation to the terms and conditions of the sale and purchase agreement as discussed in note 34(b).

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023 HK$'000	2022 HK$'000 (restated)
Financial assets		
Financial assets at FVTPL	**2,977**	2,977
Financial assets at amortised cost	**194,536**	259,695
Financial liabilities		
Amortised cost	**119,566**	140,255

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, trade and other receivables, pledged bank deposits, cash and cash equivalents, trade and other payables and accruals, amounts due to ultimate holding company and related companies and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's presentation currency and functional currency.

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. In addition, certain trade receivables, bank balances, trade payables and lease liabilities of the Group are denominated in HK$, RMB, USD, JPY and EURO, the currencies other than the functional currency of the respective group entities as disclosed in notes 19, 21, 22 and 23 respectively.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Since the exchange rate of HK$ is pegged with USD, the Group does not expect any significant movements in the USD/HK$ exchange rates.

30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group's interest rate risk arises primarily from cash at bank, pledged bank deposits and lease liabilities.

Lease liabilities at fixed rates expose the Group to fair value interest rate risk.

The Group's exposure to interest rate risk is not significant and hence no sensitivity analysis is presented.

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are banks and financial institutions with high credit rating.

Trade receivables and contract assets arising from contracts with customers

To minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses the credit risk management policy to assess the potential customer's credit quality and defines credit limits by customers. These evaluations are referenced to the repayment histories for recurring customers, current past due exposure for the new customers and the economic environment in which the customers operate. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts.

The Group has significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 18% (2022: 24%) and 51% (2022: 59%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the garment segment.

As part of the Group's credit risk management, the Group used an internal credit rating by assigning loss rates to its trade receivables. The estimated loss rates are based on the aging of trade receivables as well as historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort.

30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables and contract assets arising from contracts with customers (Continued)

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance is not further distinguished between the Group's different customer bases.

Expected loss rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of trade receivables and contract assets. The Group assessed the ECL for trade receivables and contract assets were immaterial. Thus no loss allowance was recognised.

Other receivables and deposits

For other receivables and deposits, the directors of the Company make individual assessment on other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits. The Group assessed the ECL for other receivables and deposits were immaterial. Thus, no loss allowance was recognised.

Pledged bank deposits/Cash and cash equivalents

The Group only transacts with reputable banks with high credit ratings assigned by international credit-rating agencies and therefore the directors of the Company consider the risk of default is low. The Group uses 12-month ECL to perform the assessment under ECL on pledged bank deposits and cash and cash equivalents individually based on the average loss rate by reference to credit ratings assigned by international credit-rating agencies. The Group assessed the ECL for pledged bank deposits and cash and cash equivalents were immaterial. Thus, no loss allowance was recognised.

30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables show the remaining Group's contractual maturities for its financial liabilities and lease liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from prevailing market rate at the end of the reporting period.

Liquidity tables

	Weighted average effective interest rate %	On demand or within 3 months HK$'000	3 months to 1 year HK$'000	1 year to 2 years HK$'000	2 years to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2023 HK$'000
2023								
Trade and other payables	N/A	28,138	–	–	–	–	28,138	28,138
Amounts due to related companies	N/A	37,304	35,000	21,668	–	–	93,972	91,110
Amount due to ultimate holding company	N/A	318	–	–	–	–	318	318
Lease liabilities	3.52	807	1,801	142	–	–	2,750	2,705
		66,567	36,801	21,810	–	–	125,178	122,271

	Weighted average effective interest rate %	On demand or within 3 months HK$'000	3 months to 1 year HK$'000	1 year to 2 years HK$'000	2 years to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2022 HK$'000
2022 (restated)								
Trade and other payables	N/A	27,837	–	–	–	–	27,837	27,837
Amounts due to related companies	N/A	14,352	21,666	21,666	56,668	–	114,352	108,055
Amount due to ultimate holding company	N/A	4,363	–	–	–	–	4,363	4,363
Lease liabilities	2.76	693	2,078	2,119	–	–	4,890	4,778
		47,245	23,744	23,785	56,668	–	151,442	145,033

30. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement of financial instruments

This note provides information about how the Group determines fair value of financial asset.

Financial assets measured at fair value

The management of the Company is responsible to determine the appropriate valuation techniques and key inputs for fair value measurements.

Information about the valuation techniques and key inputs used in determining the fair value of the financial asset are disclosed below.

Financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)
	2023	2022		
	HK$'000	*HK$'000*		
Other financial assets	**2,977**	2,977	Level 3	Asset-based approach with adjusted net asset values as key unobservable input

During the years ended 31 March 2023 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The movements during the year in the balance of Level 3 fair value measurements is as follows:

	2023	2022
	HK$'000	*HK$'000*
Unlisted equity securities:		
At 1 April	**2,977**	–
Payment for purchases	**–**	3,540
Changes in fair value recognised in profit or loss during the year	**–**	(563)
At 31 March	**2,977**	2,977

The losses arising from the remeasurement of the financial assets measured at FVTPL are presented in the "Other income and loss" line item in the consolidated statement of profit or loss.

Fair value of financial assets carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 March 2023 and 2022.

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND NON-CONTROLLING INTERESTS

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of subsidiary	Place of incorporation	Place of operation	Issued and paid up share capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Knit World International Limited	Hong Kong	Hong Kong	Ordinary shares HK$4,000,000	100%	–	100%	Apparel supply chain management services
Speed Apparel (BVI) Limited	BVI	Hong Kong	Ordinary shares US$101	100%	100%	–	Investment holding
Speed Apparel (HK) Limited	Hong Kong	Hong Kong	Ordinary shares HK$10,000	100%	–	100%	Apparel supply chain management services
尚捷時(深圳)貿易有限公司(1)	The PRC	The PRC	Registered capital RMB800,000	100%	–	100%	Apparel supply chain Management services
Speed Apparel Japan 合同会社	Japan	Japan	Registered capital Japanese Yen ("JPY") 5,500,000	100%	–	100%	Design and customers account services
Speed GarmentZ Limited	Hong Kong	Hong Kong	Ordinary shares HK$10,000	100%	–	100%	Investment holding
Progress Ahead Holdings Limited	BVI	Hong Kong	Ordinary shares US$100	100%	–	100%	Investment holding
EPS Innovative Medicine (Hong Kong) Limited	Hong Kong	Hong Kong	Ordinary shares HK$10,000	100%	100%	–	Investment holding
EPD Hong Kong Limited	Hong Kong	Hong Kong	Ordinary shares HK$4,200,000	51%	–	51%	Investment holding
EPD 株式會社	Japan	Japan	Registered capital JPY15,000,000	51%	–	51%	Development of new drugs services
EPS 創藥株式會社	Japan	Japan	Registered capital JPY50,000,000	100%	–	100%	Medical consultancy services

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

Name of subsidiary	Place of incorporation	Place of operation	Issued and paid up share capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
FEF 創藥株式會社	Japan	Japan	Registered capital JPY50,050,000	100%	–	100%	Development of new drugs services
Shanghai EPS Pharmaceutical Development Co., Ltd. (上海日新醫藥發展有限公司)(2)	The PRC	The PRC	Registered capital RMB5,320,944	95%	–	100%	Development of new drugs
Suzhou EPS Tigermed Pharmaceutical Technology Co., Ltd. (蘇州益新泰格醫藥科技有限公司)(2)	The PRC	The PRC	Registered capital RMB9,803,900	51%	–	100%	Development of new drugs
Beijing Global Pharmaceutical Research Co., Ltd. (北京格鋭博醫藥研發有限公司)(2)	The PRC	The PRC	Registered capital RMB500,000	51%	–	100%	Development of new drugs
EP Trading Co., Ltd. (EP貿易有限公司／EPトレーディング株式会社)	Japan	Japan	Registered capital JPY80,000,000	100%	–	100%	Trading of healthcare products

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

Details of non-wholly owned subsidiary that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Incorporation/ principal place of business	Proportion of ownership interest held by non-controlling interests		Proportion of voting power held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
						HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Suzhou EPS Tigermed Pharmaceutical Technology Co., Ltd.[2]	The PRC	**49%**	–	**49%**	–	**3,015**	2,684	**3,698**	6,713
EPD株式会社	Japan	**49%**	–	**49%**	–	**1,434**	726	**(102)**	1,332
Individually immaterial subsidiaries with non-controlling interests						**91**	248	**409**	500
						4,540	3,658	**4,005**	8,545

Notes:

(1) This entity was established as wholly foreign-owned enterprise in the PRC.

(2) These entities were established as equity joint venture enterprises in the PRC.

The above table lists the subsidiaries of the Group which, in opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the net assets of the Group. All subsidiaries listed above are limited liability companies.

32. COMMITMENTS

Capital commitments outstanding at 31 March 2023 not provided for in the consolidated financial statements were as follows:

	2023 ***HK$'000***	2022 *HK$'000*
Contracted for Investments in Limited Partnership *(note 16)*	**2,945**	3,200

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows from financing activities.

	Lease liabilities *HK$'000*	Bank borrowings *HK$'000*	Amounts due to related companies *HK$'000*	Amount due to ultimate holding company *HK$'000*	Total *HK$'000*
At 1 April 2021	1,888	508	–	–	2,396
Financing cash flows:	(2,591)	(512)	114,352	–	111,249
Finance costs	64	4	3,696	–	3,764
Business combination under common control	–	–	–	4,363	4,363
Addition	5,499	–	–	–	5,499
Contribution from shareholder for providing interest free borrowings *(note 34b)*	–	–	(9,993)	–	(9,993)
Exchange difference	(82)	–	–	–	(82)
At 31 March 2022 (restated)	**4,778**	**–**	**108,055**	**4,363**	**117,196**
Financing cash flows:	**(3,194)**	**–**	**(18,267)**	**(4,045)**	**(25,506)**
Finance costs	**126**	**–**	**3,435**	**–**	**3,561**
Dividend declared to a related party	**–**	**–**	**3,965**	**–**	**3,965**
Consideration for the acquisition of Combining Entities	**–**	**–**	**8,842**	**–**	**8,842**
Wavier of amount due to a related company	**–**	**–**	**(14,354)**	**–**	**(14,354)**
Profit guarantee adjustment	**–**	**–**	**(543)**	**–**	**(543)**
Addition	**1,072**	**–**	**–**	**–**	**1,072**
Exchange difference	**(77)**	**–**	**(23)**	**–**	**(100)**
At 31 March 2023	**2,705**	**–**	**91,110**	**318**	**94,133**

34. MATERIAL RELATED PARTY TRANSACTIONS

(a) Related party transaction

	2023	2022
	HK$'000	*HK$'000*
		(restated)
Interest expenses on lease liabilities paid to a related company *(note a)*	**1,200**	1,200
Interest expenses on lease liabilities paid to ultimate controlling party *(note b)*	**781**	233
Lease liabilities incurred to a related company *(note a)*	**990**	2,337
Lease liabilities incurred to ultimate controlling party *(note b)*	**591**	1,463
Administrative expenses and service cost recharged by ultimate holding company *(note c)*	**3,815**	5,729
Administrative expenses recharged by related Companies *(note c)*	**17,787**	4,856
Revenue to related companies	**8,176**	6,963
Purchase from a related Company *(note c)*	**25,311**	24,170

Notes:

a. During the year, a subsidiary of the Group leased a property from Firenze Apparel Limited ("Firenze"), a company beneficially owned by Mr. Chan Wing Kai, who is also a director of Firenze.

b. During the year, a subsidiary of the Group leased a property from Mr. Yan Hao (controlling shareholder of ultimate holding company), who is the ultimate beneficial owner of the property.

c. As described in note 2, the Company is de facto controlled by EPS Holdings, Inc.. The transactions entered with the related parties of the Combining Entities from the date when EPS Holdings Inc. became the Company's immediate and ultimate holding company are related party transactions.

(b) Borrowing and profit guarantee in relation to a sale and purchase agreement

On 26 April 2021, the controlling interest in the Group was disposed to EPS Holdings, Inc. by Speed Development Co. Ltd, the preceding controlling shareholder of the Company which was controlled by Mr. Chan Wing Kai (the "Disposal"). Pursuant to the sale and purchase agreement, Speed Development Co. Ltd provided profit and revenue guarantees in favour of EPS Holdings, Inc. up to 31 March 2024. Mr. Chan Wing Kai retains as a management of the garment business of the Group after the Disposal and Speed Development Co. Ltd is considered to be a related party of the Group.

Pursuant to the sale and purchase agreement, Speed Apparel (BVI) Limited, a subsidiary of the Company, issued to Speed Development Co. Ltd three interest free notes (the "Notes") with a total principal amount of HK$65 million in relation to the profit and revenue guarantees for the years ended or ending 31 March 2022, 31 March 2023 and 31 March 2024. If the profit or the revenue is lower than the guaranteed profit or guaranteed revenue, part or the entire Notes of the respective year will be waived and Speed Development Co. Ltd will be obliged to pay the amount equal to the audited loss after tax of garment business for the year to the Company. Speed Development Co. Ltd has also provided a HK$35 million interest-free revolving facility to the Company which is due for repayment on 31 March 2024.

The amount due to Speed Development Co. Ltd is initially measured at fair value and subsequently measured at amortised cost. The amount due to Speed Development Co. Ltd is HK$76,752,000 at 31 March 2023 (2022: HK$93,703,000) are included in note 25.

34. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Borrowing and profit guarantee in relation to a sale and purchase agreement (Continued)

The profit guarantee adjustment is recorded by the Group after the contractual right to receive the related benefit is established. During the year ended 31 March 2023, there is profit guarantee adjustment relating to the year ended 31 March 2022 of HK$543,000 (2022: HK$ nil), being recorded in profit and loss as sundry income under "Other income and loss" (note 7).

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees as disclosed in note 11, is as follows:

	2023 **HK$'000**	2022 HK$'000
Salaries and other benefits	**8,028**	6,654
Retirement benefit scheme and contributions	**90**	111
	8,118	6,765

Total remuneration is included in "staff costs" (see note 11).

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 **HK$'000**	2022 HK$'000
Non-current asset		
Investment in a subsidiary	**1,021**	11
Current assets		
Prepayments, deposits and other receivables	**52**	178
Amounts due from subsidiaries	**111,545**	38,813
Cash and cash equivalents	**2,962**	86,794
	114,559	125,785
Current Liabilities		
Accruals and other payables	**2,195**	1,747
Amounts due to subsidiaries	**64,782**	64,782
	66,977	66,529
Net current assets	**47,582**	59,256
Net assets	**48,603**	59,267
Capital and reserves		
Share capital	**5,000**	5,000
Reserves	**43,603**	54,267
Total equity	**48,603**	59,267

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movement of the share capital and reserves are stated as below:

	Share capital HK$'000	Share premium HK$'000	Retained earning (accumulated losses) HK$'000	Total HK$'000
At 1 April 2021	5,000	47,656	13,291	65,947
Loss and total comprehensive expense for the year	–	–	(6,680)	(6,680)
At 31 March 2022	**5,000**	**47,656**	**6,611**	**59,267**
Loss and total comprehensive expense for the year	**–**	**–**	**(10,664)**	**(10,664)**
At 31 March 2023	**5,000**	**47,656**	**(4,053)**	**48,603**

36. EVENTS AFTER THE REPORTING PERIOD

On 28 March 2023, the Company entered into agreement with the vendor, RIN Holding Co., Limited to acquire 65% of the issued share capital of R&E Corporation Limited with the consideration of HK$56.16 million. R&E Corporation Limited and its subsidiary, Taiga SCM (Shenzhen) Co., Ltd are principally engaged in the sales of Japanese health food and brand operation. On 23 May 2023, all conditions under the agreement were fulfilled and the acquisition was completed. For further details, please refer to the announcements dated 28 March 2023, 27 April 2023, and 23 May 2023.

The directors of the Company are still assessing the financial impact of this acquisition and the initial accounting for business combination is incomplete at the time the financial statement are authorised for issue.

37. COMPARATIVE FIGURES

Certain comparative figures and related notes have been restated and reclassified to conform to current year's presentation.

(Expressed in Hong Kong dollars)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2023	2022	2021	2020	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)			
Revenue	**452,906**	519,947	405,445	537,408	433,004
(Loss)/profit before tax	**(48,161)**	(22,744)	7,136	27,800	32,723
Income tax expense	**(2,125)**	(3,529)	(631)	(5,065)	(5,489)
(Loss)/profit for the year	**(50,286)**	(26,273)	6,505	22,735	27,234

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2023	2022	2021	2020	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)			
Current assets	**216,732**	284,643	146,955	152,532	140,663
Non-current assets	**10,762**	11,917	4,212	5,847	3,537
Total assets	**227,494**	296,560	151,167	158,379	144,200
Current liabilities	**115,184**	82,288	17,892	30,243	31,977
Non-current liabilities	**20,666**	74,408	130	1,606	310
Total liabilities	**135,850**	156,696	18,022	31,849	32,287
Net assets	**91,644**	139,864	133,145	126,530	111,913
Equity					
Equity attributable to owners of the Company	**91,644**	139,864	133,145	126,530	111,913