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If you have sold or transferred all your shares in **EPS Creative Health Technology Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, the licensed securities dealer or registered institution or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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EPS Creative Health Technology Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3860)

CONTINUING CONNECTED TRANSACTION PURCHASES OF PRODUCTS FROM CONNECTED PERSON; AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the
Independent Board Committee and the Independent Shareholders**

VEDA | CAPITAL
智 略 資 本

Terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 5 to 15 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 16 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 31 of this circular.

A notice convening the EGM (as defined herein) to be held at 9/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong at 11:00 a.m. on Tuesday, 26 September 2023 is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend and vote at the EGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours (i.e. 11:00 a.m. on Sunday, 24 September 2023) before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the instrument appointing the proxy shall be deemed to be revoked.

11 September 2023

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:

“2023-2026 Annual Caps”	the annual caps in respect of the Transactions for each of the three financial years ending 31 March 2026
“Announcement”	the announcement of the Company dated 27 July 2023 in relation to purchases of products from connected person
“Acquisition”	the acquisition of the entire equity interests in EP Trading by EPS Healthcare pursuant to the terms and conditions of the Sale and Purchase Agreement
“Board”	the board of Directors
“Company”	EPS Creative Health Technology Group Limited, a company incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the entering into of the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps, are approved by the Independent Shareholders at the EGM
“EGM”	the extraordinary general meeting to be convened and held by the Company on Tuesday, 26 September 2023 at 11:00 a.m. at 9/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong for the purpose of considering and approving the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps
“EP Trading”	EP Trading Co., Ltd.* (EP貿易有限公司/EPトレーディング株式会社), a company established in Japan with limited liability whose registered office at 6F, Kagurazaka AK Building, 1-8 Tsukudocho, Shinjuku-ku, Tokyo, 162-0821 and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date

DEFINITIONS

“EPS Ekishin”	EPS Ekishin Co., Ltd*, a company incorporated in Japan with limited liability which is owned as to 65% by EPS Holdings, Inc., the controlling shareholder of the Company, being a connected person of the Company as at the Latest Practicable Date
“EPS Healthcare”	EPS Healthcare Limited (創健商貿有限公司), a company established in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date
“EPS Holdings”	EPS Holdings, Inc. is wholly-owned by Shinyou KK, a company incorporated in Japan which is owned as to approximately 71.80% by Y&G Limited which is wholly-owned by Mr. Yan Hao and the remaining 28.20% equity interest of EPS Holdings are owned as to 20.00% by Suzuken Co., Ltd, 2.32% by Mr. Yan Hao, 0.51% by each of Tashiro Shinro, Nagaoka Tatsuma and Hirosaki Shinji, respectively, 2.11% by Yu Huanrang, and approximately 2.24% by others as at the Latest Practicable Date
“EPS USA”	EPS Americas Corp, a company incorporated in United States with limited liability whose registered office at 1710 W Roanoke Dr, Arlington Heights, IL 60004 United States and a wholly-owned subsidiary by EPS Holdings and is a connected person of the Company under the Listing Rules as at the Latest Practicable Date
“Framework Purchase Agreement”	the framework purchase agreement dated 23 July 2023 (as supplemented by a supplemental agreement dated 5 September 2023) and entered into between EP Trading and EPS USA in relation to the purchase of Products by EP Trading from EPS USA for the three financial years ending 31 March 2026
“Group”	the Company and its subsidiaries from time to time
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps

DEFINITIONS

“Independent Financial Adviser” or “Veda Capital”	Veda Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps
“Independent Shareholders”	Shareholders other than EPS Holdings and their respective associates
“Independent Third Party(ies)”	party(ies) which is/are independent of the Group and the connected persons of the Company
“JPY”	Japanese Yen, the lawful currency of Japan
“Latest Practicable Date”	6 September 2023, being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Selling Price”	the total acquisition costs of Products purchased by EPS USA from the Supplier(s)
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Products”	pre-clinical animal testing consumables including purified diets for lab animals, animal bedding, animal cage and other consumables
“Sale and Purchase Agreement”	the sale and purchase agreement dated 7 December 2022 and entered into between EPS Healthcare and EPS Ekishin in relation to the Acquisition
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Supplemental Announcement”	the announcement of the Company dated 5 September 2023 in relation to the Supplemental Agreement
“Supplemental Agreement”	the supplemental agreement entered into between EP Trading and EPS USA in relation to revise the 2023-2026 Annual Caps under the Framework Purchase Agreement
“Supplier(s)”	supplier(s) who sell Products to EPS USA, and is/are Independent Third Party(ies) to the best of the knowledge, information and belief of the Directors
“Transactions”	the purchase of Products by EP Trading from EPS USA
“%”	per cent.

* *In this circular, the English transliteration of the Chinese names, where indicated, are included for identification purpose only, and should not be regarded as the official English names of such Chinese names. In the event of any inconsistency, the Chinese names shall prevail.*

LETTER FROM THE BOARD



EPS Creative Health Technology Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3860)

Executive Directors:

Mr. Okoso Satoshi (*Chairman and Chief Executive Officer*)

Mr. Miyano Tsumoru (*Managing Director*)

Mr. Haribayashi Keikyo

Mr. Maezaki Masahiro

Mr. Gao Feng

Non-executive Directors:

Mr. Xia Xiangming

Independent non-executive Directors:

Mr. Taguchi Junichi

Mr. Choi Koon Ming

Mr. Chan Cheuk Ho

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

11 September 2023

To: the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION PURCHASES OF PRODUCTS FROM CONNECTED PERSON

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Framework Purchase Agreement. As disclosed in the Announcement, on 27 July 2023 (after trading hours of the Stock Exchange), EP Trading entered into the Framework Purchase Agreement with EPS USA, pursuant to which EP Trading has agreed to purchase, and EPS USA has agreed to sell the Products for the three financial years ending 31 March 2026.

The purposes of this circular are: (i) to provide the Independent Shareholders with further information regarding the details of the transactions under the Framework Purchase Agreement and the 2023-2026 Annual Caps as mentioned in the Announcement; (ii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders and the advice of the Independent Financial Adviser to

LETTER FROM THE BOARD

the Independent Board Committee and the Independent Shareholders in relation to the transactions under the Framework Purchase Agreement; and (iii) to give the Shareholders the notice of the EGM and other information required under the Listing Rules.

BACKGROUND

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

EPS Holdings is the controlling shareholder of the Company who beneficially holding 375,000,000 Shares which represents approximately 75.0% of the existing issued share capital of the Company and therefore, is a connected person of the Company as defined under the Listing Rules. As at the Latest Practicable Date, EPS Holdings is wholly-owned by Shinyou KK, a company incorporated in Japan which is owned as to approximately 71.80% by Y& G Limited which is wholly-owned by Mr. Yan Hao and the remaining 28.20% equity interest of EPS Holdings are owned as to 20.00% by Suzuken Co., Ltd, 2.32% by Mr. Yan Hao, 0.51% by each of Tashiro Shinro, Nagaoka Tatsuma and Hirosaki Shinji, respectively, 2.11% by Yu Huanrang, and approximately 2.24% by others.

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

EP Trading, being an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date, is a company established in Japan and is principally engaged in the business of sourcing and distribution of large and medium-sized equipment and supplies for preclinical trials, and medical healthcare products, including import sales and domestic distribution in Japan and overseas distribution to the PRC. EP Trading has a long-established business operation and connection in the sourcing and distribution of large and medium-sized equipment and supplies for preclinical trials, and medical healthcare products and overseas distribution of products.

Considering the continuity on trading business of the Products, EP Trading has been entering into exclusive or non-exclusive distributorship/agency agreements with five Suppliers in United States, respectively. The abovementioned Suppliers has agreed to sell the relevant products to EP Trading. However, EP Trading has not established any internal department for supplier management, logistics management and customs clearance since the foundation of EP Trading and up to the Latest Practicable Date. As for the purpose of handling supplier management, logistics management and the customs clearance of the Products in the procurement process of EP Trading, EPS USA would (i) provide the customs clearance service; (ii) be responsible for supplier management, including the day-to-day communication with Suppliers; and (iii) be responsible for logistics management, including the coordination of the shipping arrangement with Suppliers, which in turn the Supplier(s) would sell the Products to EPS USA first at the Original Selling Price. The EPS USA would directly coordinate with Suppliers regarding the shipping arrangement of the Products. After the clearance of customs handled by EPS USA, the Products will be sold from EPS USA to EP Trading at the price based on the total acquisition costs of Products purchased by EPS USA from the

LETTER FROM THE BOARD

Suppliers plus a percentage mark-up (tax-inclusive), which is not more than 3%; and reference to the terms agreed with other suppliers who are Independent Third Party(ies) for the Products of comparable quality, ingredients, formula and quantities and applicable foreign exchange rates in relevant recent transactions.

THE FRAMEWORK PURCHASE AGREEMENT

Major terms of the Framework Purchase Agreement are as follows:

Date	27 July 2023 (as supplemented by a supplemental agreement dated 5 September 2023)
Parties	EP Trading, as purchaser EPS USA, as supplier
Term	From the Effective Date to 31 March 2026
Subject Matter	The purchase of Products by EP Trading from EPS USA
Pricing basis	The price of the Products shall be determined with reference to:– (i) the total acquisition costs of Products purchased by EPS USA from Suppliers plus a percentage mark-up (tax-inclusive), which is not more than 3% (i.e. price = cost x (1 + 3% mark-up)); and (ii) the terms agreed with other suppliers who are Independent Third Party for the Products of comparable quality, ingredients, formula and quantities and applicable foreign exchange rates in recent transactions.

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

PRODUCTS

The pre-clinical animal testing consumables including purified diets for lab animals, animal bedding, animal cage and other consumables.

LETTER FROM THE BOARD

PRICING POLICY

For maintaining the normal business operation, EP Trading will import the Products from United States from time to time. Quotation of the Products will be obtained from Suppliers, who are Independent Third Parties, and evaluated by the management of EP Trading. Details of each transaction and the Original Selling Price will then be confirmed and agreed after arm's length negotiation between the Suppliers and EP Trading.

The price of purchasing Products by EP Trading from EPS USA shall be calculated based on the Original Selling Price plus the percentage mark-up (tax-inclusive) of 3%, regardless of the types of products purchased.

The primary functions of EPS USA are to act as purchase agent of the Company and logistics coordination solely on behalf of the Company and which is the main purpose of the Company cooperating with EPS USA. In case such function is performed by setting up a new department of the Group in the United States office, it would incur various additional costs including, among others, staff costs, and the relevant staff benefit expenses, utility expenses, the costs of office equipment and furniture and fixtures, the rental expenses, and the administrative expenses for handling the tax and regulatory filling, which is expected to be higher than the amounts charged by EPS USA based on the 3% of the mark-up on the Original Selling Price for the proposed purchased amounts of the Products for the three years ending 31 March 2026.

Having considered the price of the Products charged by EPS USA will be also with reference to the terms agreed with other suppliers who are Independent Third Party for the Products of comparable quality, ingredients, formula and quantities and applicable foreign exchange rates in recent transactions, it ensures that the total price of the Products (the Original Selling Price plus the percentage mark-up (tax-inclusive) of 3%) charged by EPS USA is not less favorable to the price offered by Independent Third Party for the Products of comparable quality, ingredients, formula and quantities and applicable foreign exchange rates in recent transactions.

Having considered that (i) Original Selling Price was determined between EP Trading and the Suppliers who are Independent Third Parties under arm's length basis; and (ii) the estimated fees charged by EPS USA on the basis of 3% the percentage mark-up (tax-inclusive) based on the estimated purchase amounts for the Products for the three years ending 31 March 2026 is lower than estimated costs for setting up and maintenance of internal department by EP Trading itself for similar services provided by EPS USA, including but not limited to the staff costs of experienced staff for handling customs clearance in relation to the export of Products from United States to Japan and relevant staff benefit expenses, the utility expenses, the costs of office equipment and furniture and fixtures for setting up a new internal department in the United States and the relevant monthly rental expenses and the administrative expenses for handling the tax and regulatory filling in relation to the new department in United States office for the three years ending 31 March 2026, given the purchase of Products were not fragmented by number of orders and the abovementioned setting up and monthly maintenance costs of the office in United States for similar services provided by EPS USA is considered as costly and inefficiency, the Directors are of the view that the pricing terms are fair and reasonable.

LETTER FROM THE BOARD

BASIS OF DETERMINING THE 2023-2026 ANNUAL CAPS

On 5 September 2023, EP Trading and EPS USA entered into the Supplemental Agreement, pursuant to which the 2023-2026 Annual Caps for the Transactions under the Framework Purchase Agreement for the three years ending 31 March December 2026 is amended from HK\$50 million of each the three years ending 31 March 2026 (as disclosed in the Announcement) to HK\$30 million, HK\$33 million and HK\$36 million for the year ending 31 March 2024, 2025 and 2026, respectively. Save as disclosed above, the rest of the terms of the Framework Purchase Agreement remain unchanged.

According to the Framework Purchase Agreement, the original 2023-2026 annual caps for the three years ending 31 March 2026 was HK\$50 million for each year. The original 2023-2026 annual caps was determined based on (i) the potential demand from the customers of EP Trading in which the Management expected that the demand of the Products will be increased which driven by the increasing trend of the study and research and development in the biological field, including animal testing, after the COVID-19 pandemic; (ii) the historical transaction amounts for purchasing Products from EPS USA to EP Trading; (iii) the maximum percentage mark-up (tax-inclusive) of 3% charge by EPS USA; and (iv) buffer for the respective annual caps in order to avoid suffering from incurring extra cost and the adverse impact on the financial performance of the Company cause by the exceed of the original 2023-2026 annual caps.

Due to change in circumstances after the date of Framework Purchase Agreement, including but not limited to, in respect of the expected demand of Products from customers of EP Trading based on the update from sales team and customers in August 2023, the Company proposed to revise the proposed the 2023-2026 Annual Caps and the Supplemental Agreement was therefore entered into between EP Trading and EPS USA on 5 September 2023.

According to the Supplemental Agreement, the 2023-2026 Annual Caps for the three years ending 31 March 2026 was HK\$30 million, HK\$33 million and HK\$36 million, respectively. The proposed annual caps for the year ending 31 March 2024 was determined based on (i) the historical the transaction amounts of Products purchased from EPS USA for the year ended 31 March 2023 of approximately HK\$25.5 million; (ii) the estimated compound annual growth rate (“CAGR”) of approximately 7.9% based on market research for preclinical contract research organizations performed by the Company; and (iii) the buffer of approximately 7.1% which is considered as necessary to provide sufficient buffer to cater for the possible increase in the purchase of Products. The proposed annual caps for the year ending 31 March 2025 and 2026 was determined based on the CAGR of approximately 7.9%, respectively.

The health and wellness market in the worldwide has been growing significantly in recent years. Due to the coronavirus pandemic and technological advances, the awareness of healthcare and health safety was further accelerated the development of healthcare products to improve health conditions against the different types of illness. In corresponding to the healthcare development, preclinical trials and the respective trial results were essential to ensure quality, effectiveness and safety of the developed healthcare products.

According to summary of “Preclinical CRO Market” published by Global Market Insights Inc. (<https://www.gminsights.com/industry-analysis/preclinical-cro-market>), the preclinical contract research organization market size accounted for over USD5.3 billion in 2022 and it estimated to grow at a CAGR of 7.9% between 2023 and 2032. Technological advancements and rising demand for preclinical contract research organizations are the major factors the global market growth.

LETTER FROM THE BOARD

According to the analysis “Preclinical CRO market size & share analysis - growth trends & forecasts (2023 - 2028)” published by Mordor Intelligence (<https://www.mordorintelligence.com/industry-reports/precilinal-cro-market>), the onset of the Covid-19 pandemic garnered preclinical studies for pharmaceutical products such as vaccines, drugs, and other medical products. According to the public research, even the clinical studies for drug development of diseases were hampered by the pandemic in the early stages, the demand for clinical trials increased for various other diseases along with the Covid-19 and these increasing clinical trials for pharmaceutical products increased and impacted the studied market during the later phases of the pandemic. Additionally, the production of pharmaceutical products with an increase in research and development creates a demand for contract research organizations engaged in preclinical services and anticipated to fuel market growth.

EP Trading has a long-established business operation and connection in the sourcing and distribution of large and medium sized equipment and supplies for preclinical trials, and medical healthcare products and overseas distribution of products. There are well established channels and network for the import of consumables and distribution of healthcare products of EP Trading to the PRC and overseas. Set out below is a summary of the amounts of Products purchased from EPS USA for the five financial years ended 31 March 2023:

	For the year ended 31 March 2019	For the year ended 31 March 2020	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2023
	<i>Approximately</i> <i>HK\$ million</i>	<i>Approximately</i> <i>HK\$ million</i>	<i>Approximately</i> <i>HK\$ million</i>	<i>Approximately</i> <i>HK\$ million</i>	<i>Approximately</i> <i>HK\$ million</i>
Historical transaction amounts	22.9	40.9	29.4	24.7	25.5

Note: For the purpose of illustration only, conversion of USD into HK\$ in the above table is based on the exchange rate of 1 to 7.85.

Before the outbreak of the COVID-19 pandemic, the transaction amounts of Products purchased from EPS USA was increased from approximately HK\$22.9 million for the year ended 31 March 2019 to approximately HK\$40.9 million for the year ended 31 March 2020, representing an increase of approximately 78.6% of annual growth. The amounts of Products purchased from EPS USA decreased after the year ended 31 March 2020 to approximately HK\$25.5 million for the year ended 31 March 2023 which was primarily attributable to the slowdown of preclinical trials activities in the healthcare development market caused by coronavirus pandemic.

Having considered (i) the global economy and the preclinical trials activities was gradually recovering from the outbreak of the COVID-19 pandemic; (ii) the awareness of healthcare and health safety was further accelerated after coronavirus pandemic; (iii) there is estimated stable growth for the preclinical contract research organization market; (iv) the historical transaction amounts for the latest five completed financial years ended 31 March 2023; (v) there are solid potential demands of the Products from customers of EP Trading; and (vi) the buffer for the respective annual caps in order to avoid suffering from incurring extra cost and the adverse impact on the financial performance of the Company cause by the exceed of the 2023-2026 Annual Caps, the Directors are of the view that the 2023-2026 Annual Caps under the Framework Purchase Agreement is fair and reasonable.

LETTER FROM THE BOARD

HISTORICAL TRANSACTION AMOUNTS

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

	For the period commencing from 7 December 2022 to 31 March 2023	For the year ended 31 March 2023	For the four months ended 31 July 2023
	<i>Approximately HK\$ million</i>	<i>Approximately HK\$ million</i>	<i>Approximately HK\$ million</i>
Historical transaction amounts	7.7	25.5	6.0

PROPOSED ANNUAL CAPS

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

	For the year ending 31 March		
	2024	2025	2026
	<i>Approximately HK\$ million</i>	<i>Approximately HK\$ million</i>	<i>Approximately HK\$ million</i>
Proposed annual caps	30.0	33.0	36.0

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK PURCHASE AGREEMENT

The Company is an investment holding company and its subsidiaries are principally engaged in provision of apparel supply chain management services and selling knitwear apparel products to its customers, Japan-PRC specialised contract research organisation and, innovative research organisation services, licensing and financing support and in-house research and development.

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

EP Trading, being an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date, is a company established in Japan and is principally engaged in the business of sourcing and distribution of large and medium-sized equipment and supplies for preclinical trials, and medical healthcare products, including import sales and domestic distribution in Japan and overseas distribution to the PRC.

LETTER FROM THE BOARD

EP Trading has a long-established business operation and connection in the sourcing and distribution of large and medium-sized equipment and supplies for preclinical trials, and medical healthcare products and overseas distribution of products and EP Trading would continue to carry on the Transactions for EP Trading's business operation.

Considering the continuity on trading business of the Products, EP Trading has been entering into exclusive or non-exclusive distributorship/agency agreements with five Suppliers in United States respectively. The abovementioned Suppliers has agreed to sell the relevant products to EP Trading. As EP Trading has not established any internal department for supplier management, logistics management and customs clearance up to the Latest Practicable Date and it would incur material initial costs for setting up specific departments to address the management of supplier, management of logistics and clearance of customs, EP Trading has been seeking assistance from EPS USA so as to continue the ordinary business with no more than 3% mark-up (tax-inclusive) of the Original Selling Price to EPS USA.

With reference to the management account of EPS USA, the results of EPS US in relation to the supplier management, logistics management and customer clearance services provided for EP Trading is closed to breakeven only and without any material profit for the last two years ended 31 December 2022.

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

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

INTERNAL CONTROL

In order to ensure the terms of the Framework Purchase Agreement are on normal commercial terms and fair and reasonable to the Company and the Shareholders and are no less favourable than those offered by the Group to the Independent Third Parties, the Company has formulated the following internal control policies and adopted the following internal control measures:

- (i) the finance department of the Company (the "**Finance Department**") will closely monitor the transactions on a monthly basis under the Framework Purchase Agreement to ensure that the transactions amount will not exceed the 2023-2026 Annual Caps;
- (ii) in the event that the anticipated transaction amounts are expected to exceed the 2023-2026 Annual Caps, the Finance Department will discuss with the management of the Company to consider the necessity to revise the 2023-2026 Annual Caps based on the estimated transaction amounts and any of

LETTER FROM THE BOARD

revision will be subject to the approval of the Board, the board of directors of EP Trading and the Independent Shareholders (if there is any adjustments to the 2023-2026 Annual Caps, the Company will re-comply with the relevant requirements under the Listing Rule 14A.54);

- (iii) the Finance Department will conduct regular random checks on a quarterly basis to review and assess whether the transactions contemplated under the Framework Purchase Agreement are conducted on normal commercial terms, in accordance with the terms set out in the Framework Purchase Agreement and whether the relevant contract terms are in the interest of the Company and the Shareholders as a whole (for example, the maximum price of the Products to be offered to the Group must not be higher or equal to the acquisition cost together with 3% markup thereon of the Products as procured by EPS USA);
- (iv) the audit committee of the Company will conduct annual review on the transactions contemplated under the Framework Purchase Agreement to report if the transaction amounts are within the 2023-2026 Annual Caps and has complied with the terms and pricing basis of the Framework Purchase Agreement;
- (v) the external auditor of the Company will conduct annual review of the transactions entered into under the Framework Purchase Agreement to ensure that the transactions amount is within the 2023-2026 Annual Caps and the transactions is in accordance with the terms set out in the Framework Purchase Agreement; and
- (vi) the independent non-executive Directors will conduct annual review of the status of the transactions contemplated under the Framework Purchase Agreement to ensure that the Company has complied with its internal approval process and the relevant requirements under the Listing Rules.

In view of the pricing policy and internal control measures above, the Directors are of the view that the appropriate measures are in place to ensure that the transactions contemplated under the Framework Purchase Agreement which will be conducted on normal commercial terms and not prejudicial to the interest of the Company and Independent Shareholders.

IMPLICATIONS UNDER THE LISTING RULES

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

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

LETTER FROM THE BOARD

EPS Holdings and its associates shall abstain from voting in favour of the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps at the EGM. Save for EPS Holdings, to the best knowledge, information and belief of the Directors, no other Shareholders or any of their respective associates have a material interest in the Framework Purchase Agreement and the transactions contemplated thereunder, and accordingly are required to abstain from voting at the EGM. None of the Directors have material interest in the Framework Purchase Agreement and the transactions contemplated thereunder and have abstained from voting on the relevant board resolutions.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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

The letter from the Independent Board Committee is set out on page 16 in this circular and the letter from the Independent Financial Adviser is set out on pages 17 to 31 in this circular.

EGM

The EGM will be convened and held by the Company on Tuesday, 26 September 2023 at 11:00 a.m. at 9/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong to seek the approval from the Independent Shareholders for the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps by way of poll. The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular.

VOTING BY POLL

In accordance with Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the voting on all resolutions at the EGM will be conducted by way of poll.

RECOMMENDATION

The Directors (including the independent non-executive Directors who have expressed their views in the letter from the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) consider that the terms of the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors who have expressed their views in the letter from the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) recommend the Independent Shareholders to vote for the resolutions to approve the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps at the EGM.

LETTER FROM THE BOARD

You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser before deciding how to vote on the resolutions relating to the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular and the notice convening the EGM.

Yours faithfully
By order of the Board
EPS Creative Health Technology Group Limited
Mr. Okoso Satoshi
Chairman and Chief Executive Officer



EPS Creative Health Technology Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3860)

11 September 2023

To: the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION PURCHASES OF PRODUCTS FROM CONNECTED PERSON

We refer to the circular of the Company dated 11 September 2023 (the “**Circular**”) to the Shareholders of the Company, of which this letter forms part. Capitalised terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise the Independent Shareholders as to whether the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps are fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser set out on pages 5 to 15 and pages 17 to 31 of the Circular, respectively, and the additional information set out in the appendix to the Circular.

Having taken into account the advice of the Independent Financial Adviser, we concur with the view of the Independent Financial Adviser and consider that the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Taguchi Junichi
Independent
non-executive Director

Mr. Choi Koon Ming
Independent
non-executive Director

Mr. Chan Cheuk Ho
Independent
non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Framework Purchase Agreement and the transactions contemplated thereunder and the 2023-2026 Annual Caps which has been prepared for the purpose of inclusion in this circular.

VEDA | CAPITAL
智 略 資 本

Suite 1001, 10/F, 299QRC
299 Queen's Road Central
Hong Kong

11 September 2023

*To: the Independent Board Committee and the Independent Shareholders of
EPS Creative Health Technology Group Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTION PURCHASES OF PRODUCTS FROM CONNECTED PERSON

INTRODUCTION

We refer to our appointment as the independent financial adviser (the “**Independent Financial Adviser**”) to advise the Board in respect of the Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company to the Shareholders dated 11 September 2023 (the “**Circular**”), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

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

On 5 September 2023, EP Trading and EPS USA entered into the Supplemental Agreement, pursuant to which the 2023-2026 Annual Caps for the Transactions under the Framework Purchase Agreement for the three years ending 31 March December 2026 is amended from HK\$50 million for each of the three years ending 31 March 2026 (as disclosed in the Announcement) to HK\$30 million, HK\$33 million and HK\$36 million for the year ending 31 March 2024, 2025 and 2026, respectively. Save as disclosed above, the rest of the terms of the Framework Purchase Agreement remain unchanged.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

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

This letter is issued to the Independent Board Committee and the Independent Shareholders, solely in connection for their consideration of the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps, and is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

OUR INDEPENDENCE

As at the date of this letter, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Save for the appointment as the independent financial adviser in respect of the sale and purchase agreements dated 20 September 2022, 7 December 2022 and 28 March 2023 entered into by the Group respectively and the transactions contemplated thereunder and this appointment as the Independent Financial Adviser in respect of the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps, there were no other engagements between us and the Group in the past two years that could reasonably be regarded as relevant to our independence. Apart from normal professional fees paid or payable to us in connection with this transaction, no other arrangement exists whereby we had received or would receive any fees or benefits from the Company or any parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent in accordance with Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the Management, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the date of this letter. We

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. In rendering our opinion in the Circular, we have researched, analyzed and relied on (i) information in relation of the Group, including but not limited to, the published financial reports of the Company for the two financial years ended 31 March 2023; (ii) information provided by the Company; (iii) the Circular; and (iv) market information obtained from the website of the Stock Exchange. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules (including the notes thereto) to formulate our opinion and recommendation. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the Management.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Board, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1. Information of the Group

The Company is an investment holding company and its subsidiaries are principal engaged in (i) provision of apparel supply chain management services for knitwear apparel products (the “**Garment Segment**”); (ii) Japan-PRC specialised contract research organisation, innovative research organisation services, licensing and financing support and in-house drug discovery and development (the “**Healthcare Segment**”); and (iii) provision of innovative research organization (IRO) and specialised contract research organization (CRO) services and in-house research and development business (“**IRO with CRO and In-house R&D Segment**”).

For the financial year ended 31 March 2023

Set out below is a summary of the consolidated financial information of the Group for the two financial years ended 31 March 2022 and 2023 respectively which were extracted from the annual reports of the Company for the financial year ended 31 March 2023:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the financial years ended 31 March			
	2023	2022	changes
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	(audited)	(audited) (restated)	
Revenue	452,906	519,947	(12.89)
- Garment Segment	381,500	424,638	(10.16)
- Healthcare Segment	55,844	79,518	(29.77)
- IRO with CRO and In-House R&D Segment	15,562	15,791	(1.45)
(Loss)/profit attributable to the Shareholders	(45,358)	(20,580)	120.40

As at 31 March			
	2023	2022	YOY changes
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	(audited)	(audited) (restated)	
Total assets	227,494	296,560	(23.29)
Net asset attributable to the Shareholders	87,639	131,319	(33.26)

The Group recorded revenue for the financial year ended 31 March 2023 in the amount of approximately HK\$452.91 million, representing a decrease of approximately 12.89% as compared to that for the financial year ended 31 March 2022 in the amount of approximately HK\$519.95 million. As advised by the Company, the decrease in revenue was mainly attributable to (i) the decrease in the purchase orders in Garment Segment from a major customer headquartered in the United States of America; and (ii) the reduction in the purchase orders in the Healthcare Segment from one of the major customers in Japan and an overall reduction in purchase orders from other customers as a result of devaluation in JPY during the reporting year.

The Group recorded a loss attributable to the shareholders for the financial year ended 31 March 2023 in the amount of approximately HK\$45.36 million, representing an increase of approximately 120.40% as compared to that for the financial year ended 31 March 2022 in the amount of approximately HK\$20.58 million. As advised by the Company, the increase in net loss was mainly due to (i) the decrease in revenue of the Group for the year ended 31 March 2023 as mentioned in the above; (ii) the increase in administrative cost of approximately HK\$14.96 million, mainly attributable to the increase in staff costs and benefits and the legal and professional fees for the year ended 31 March 2023; and (iii) the increase in the research and related administrative expenses incurred in relation to the new drug development projects of approximately HK\$2 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the financial year ended 31 March 2022

Set out below is a summary of the consolidated financial information of the Group for the two financial years ended 31 March 2021 and 2022 respectively which were extracted from the annual reports of the Company for the financial year ended 31 March 2022:

For the financial years ended 31 March			
	2022	2021	changes
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	(audited)	(audited)	
Revenue	424,656	405,445	4.74
- Garment Segment	424,638	405,445	4.73
- Healthcare Segment	18	-	N/A
(Loss)/profit attributable to the Shareholders	(17,636)	6,505	Turnaround from profit to loss
 As at 31 March			
	2022	2021	YOY changes
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	(audited)	(audited)	
Total assets	248,920	151,167	64.67
Net asset attributable to the Shareholders	125,372	133,145	(5.84)

The Group recorded revenue for the financial year ended 31 March 2022 in the amount of approximately HK\$424.66 million, representing an increase of approximately 4.74% as compared to that for the financial year ended 31 March 2021 in the amount of approximately HK\$405.45 million. As advised by the Company, the increase in revenue was mainly attributable to the increase in the purchase orders in Garment Segment from a major customer headquartered in the United States of America.

The Group recorded a loss attributable to the shareholders for the financial year ended 31 March 2022 in the amount of approximately HK\$17.64 million, as compared to a profit attributable to the shareholders for the financial year ended 31 March 2021 in the amount of approximately HK\$6.51 million. As advised by the Company, the turnaround from profit to loss was mainly due to (i) the research and related administrative expenses incurred in relation to the new drug development projects of approximately HK\$13.6 million; and (ii) the expenses incurred by the Company of approximately HK\$1.4 million in response to the unconditional mandatory cash offer as a result of the change of control of the Company disclosed in the Company's announcement dated 5 May 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Information on the EPS USA

EPS USA is incorporated in United States with limited liability and principally engaged in trading and exporter services. As at the Latest Practicable Date, EPS USA is a wholly-owned subsidiary by EPS Holdings and is a connected person of the Company under the Listing Rules.

The primary functions of EPS USA are the purchase agent of the Company and logistics coordination solely on behalf of the Company, which is the main purpose of the Company cooperating with EPS USA. EPS USA provides custom clearance service to the Group which facilitates the Group's trading and distribution of the Products and reduces the overall administrative cost incurred to the Group. EPS USA is also able to provide an organized quality control service in respect of the Products and supplier management by day-to-day communication and may potentially refer more suppliers to the Group which could broaden the Group's suppliers base in this segment.

3. Reasons for and benefits of entering into the Framework Purchase Agreement

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

As stated in the Board Letter, EP Trading, being an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date, is a company established in Japan and is principally engaged in the business of sourcing and distribution of large and medium-sized equipment and supplies for preclinical trials, and medical healthcare products, including import sales and domestic distribution in Japan and overseas distribution to the PRC. EP Trading has a long-established business operation and connection in the sourcing and distribution of large and medium-sized equipment and supplies for preclinical trials, and medical healthcare products and overseas distribution of products.

As mentioned in the Board Letter, as EP Trading has not established any internal department for supplier management, logistics management and customs clearance since the foundation of EP Trading and up to the Latest Practicable Date and it would incur material initial costs for setting up a specific department to address the clearance of customs. EPS USA would (i) provide the customs clearance service; (ii) be responsible for supplier management, including day-to-day communication with the Suppliers; and (iii) be responsible for logistics management, including the coordination of the shipping arrangement with the Suppliers, which in turn the Supplier(s) would sell the Products to EPS USA first at the Original Selling Price. The EPS USA would directly coordinate with Suppliers regarding the shipping arrangement of the Products. After EPS USA obtained the custom clearance, the Products will be sold from EPS USA to EP Trading at the price based on the total acquisition costs of Products purchased by EPS USA from the Suppliers. EP Trading has been seeking assistance from EPS USA for handling the clearance of custom so as to continue the ordinary business with no more than 3% mark-up (tax-inclusive) of the Original Selling Price to EPS USA.

Having considered that it will take excessive and higher cost, labour resources and time to formulate an additional department for handling the clearance of customs, the entering into of the Framework Purchase Agreement are fair and reasonable and is beneficial to the Group and Shareholders as a

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

whole by (i) reducing the unnecessary administrative costs, resources and time for handling clearance of customs for the Products procurement required by EP Trading; (ii) avoiding to seek the approval from Independent Shareholders for each Transactions; and (iii) maintaining the high efficiency of the trading business of EP Trading.

The Directors consider that the terms of the Framework Purchase Agreement and the 2023-2026 Annual Caps are fair and reasonable and the transactions contemplated thereunder are and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

The Products are pre-clinical animal testing consumables including purified diets for lab animals, animal bedding, animal cage and other consumables for preclinical trials (the “**Preclinical Trials**”). We were given to understand by the Management that the customers of EP Trading would prefer the sourcing of the Products to be high in quality and consistent so as to ensure testing quality of the results of the Preclinical Trials. To cater its customers’ needs, EP Trading generally prefer to purchase the Products from certain brand names.

With reference to the announcements of the Company dated 20 September 2022, 26 September 2022, 7 December 2022 and 28 March 2023, we noted that the Group has been expanding its business, including but not limited to, acquiring five companies which are principally engaged in the research and development, distribution and sales of pharmaceutical products and Japanese health food products in the PRC. We have discussed with the Company and were given to understand that with the support of EPS Holdings, being the controlling shareholder of the Company upon the change in control of the Company in June 2021, the Group has been actively looking to develop and expand its businesses in and beyond the pharmaceutical industry. The conducting of the Transactions is consistent with the Group’s strategy to enlarge its footprint in the pharmaceutical and healthcare industry and expand its Healthcare Segment.

As advised by the Company, the Directors believed that the outbreak of the COVID-19 pandemic (the “**Covid-19**”) has increased the awareness of healthcare and health safety around the globe which further accelerated the development of healthcare products (the “**Healthcare Development**”) to improve health-conditions against the different types of illness. In corresponding to the Healthcare Development, Preclinical Trials and the respective trial results were essential to ensure quality, effectiveness and safety of the developed healthcare products. The accurateness and value of the information yielded from the Preclinical Trials could be materially affected based on factors including but not limited to, the size of the sample and/or the materials and equipment being used in conducting the Preclinical Trials.

In light of the above, the Group, through EPS USA, had been and intends to continue to conduct the Transactions with the Suppliers in order to capture the development and prospect of the healthcare industry. We were given to understand that the Suppliers are Independent Third Parties and each has over five years of business relationships with the Group in providing the Products with quality satisfactory to the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We were also given to understand that the Products that will be used in the Preclinical Trials are mainly sourced from overseas (due to quality issues and etc.) and could generate comparatively high shipping and tax expenses to EP Trading when importing the relevant Products to Japan. EPS USA provides custom clearance service to the Group which facilitates the Group's trading and distribution of the Products from the Suppliers. EPS USA is also able to provide an organized quality control service in respect of the Products and to assist the Group in maintaining the relationship with the Suppliers, and may potentially refer more suppliers to the Group which could broaden the Group's suppliers base in this segment.

We have reviewed the management account of EPS USA for the two years ended 31 December 2022 and noted that the segment results of EPS USA in relation to provision of the custom clearance service to EP Trading were closed to breakeven, which demonstrated that EPS USA had been providing custom service and supplier management to EP Trading at cost. Accordingly, if the Group were to set up an additional department for handling the clearance of customs, it is expected that additional time costs and other expenses, including but not limited to, staff and related expenses, utility expenses, the costs of office equipment and furniture and fixtures for setting up a new internal department in the United States and the relevant monthly rental expenses and the administrative expenses for handling the tax and regulatory filing in relation to the new department in United States office, will be higher than the fee to be paid to EPS USA for similar service. In view of the above, without incurring additional time costs, expenses and resources, it was practically difficult for the Group, to formulate an additional department for handling the clearance of customs or to appoint other third parties which may charge a higher fee for similar services in order to generate profits. Accordingly, the entering into the Framework Purchase Agreement will reduce the overall administrative cost incurred to the Group in respect of the sourcing of the Products.

Having considered that (i) the purchase of the Products is in line with the Group's strategy to expand the Healthcare Segment; (ii) it is in the interest of the Group to participate in the growth and development of the healthcare industry; (iii) the Suppliers have had over five years of business relationships with the Group and the Group is satisfied with their products provided to the Group based on historical transactions; and (iv) EPS USA is able to provide customs clearance service and supplier management to the Group principally at cost so that it would reduce the overall administrative cost incurred to the Group, we concurred with the Directors' view that the Framework Purchase Agreement are entered into in the ordinary and usual course of business of the Group, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

4. Principal terms of the Framework Purchase Agreement

Summarized below are the principal terms of the Framework Purchase Agreement, details of which are set out under the section headed "THE FRAMEWORK PURCHASE AGREEMENT" in the Board Letter.

Date	:	27 July 2023 (as supplemented by a supplemental agreement dated 5 September 2023)
Parties	:	EP Trading, as purchaser EPS USA, as supplier

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

Pricing policy

For maintaining the normal business operation, EP Trading will import the Products from United States from time to time. Quotation of the Products will be obtained from Suppliers, who are Independent Third Parties, and evaluated by the management of EP Trading. Details of each transaction and the Original Selling Price will then be confirmed and agreed after arm's length negotiation between the Suppliers and EP Trading.

The price of purchasing Products by EP Trading from EPS USA shall be calculated based on the Original Selling Price plus the percentage mark-up (tax-inclusive) of 3%, regardless of the types of products purchased.

We were given to understand that the price of the Products shall made reference to the acquisition costs of the Products. Therefore, under the Framework Purchase Agreement, the Group effectively purchases and sources the Products from the Suppliers, which are Independent Third Parties, at the Original Selling Price. We were also given to understand that the 3% mark-up are charged by EPS USA based on the administrative expenses associated with the handling of the above. We have reviewed two invoice samples for each of the four years ended 31 March 2023 and noted that (i) the prices of the Products charged by EPS USA to EPS Trading are the same as the original selling price of the Products from the Suppliers to EPS USA; and (ii) the mark-ups charged by EPS USA to EPS Trading are 3%. Therefore, the 3% mark-up under the Framework Purchase Agreement is consistent with the pricing policy of the historical transactions of the Products between EP Trading and EPS USA.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the reasonableness and fairness of the 3% mark-up, we have reviewed the management account of EPS USA for the two years ended 31 December 2022 and noted that (i) the segment results of EPS USA in relation to provision of the custom clearance service to EP Trading were closed to breakeven for the two years ended 31 December 2022; and (ii) the total administrative expenses of EPS USA in relation to the provision of the custom clearance service to EP Trading, including but not limited to, salary, welfare and other expenses, exceeded 3% of the total acquisition costs of the Products for the two years ended 31 December 2022. The above findings demonstrated that the 3% mark-up was essentially charged by EPS USA in order to provide custom service and supplier management to EP Trading at cost. In view of the above, it was practically difficult for the Group, without incurring additional costs and resources, to formulate an additional department for handling the clearance of customs or to appoint other third parties which may charge a higher fee for similar services in order to generate profits. Accordingly, the entering into the Framework Purchase Agreement will reduce the overall administrative cost incurred to the Group in respect of the sourcing of the Products.

We have enquired the Management and were given to understand that the customers of EP Trading generally prefer to purchase the Products which are specifically sourced from certain brand names in order to ensure both the quality and consistency of the Products for Preclinical Trial uses. Accordingly, to satisfy its customers' needs and secure EP Trading's source of the Products, EP Trading has entered into exclusive distributorship and/or agency agreements with five major Suppliers in United States. We have obtained from the Company and reviewed two exclusive agency agreement entered into between EP Trading and the Suppliers and noted that (i) EP Trading is granted the right to act as an exclusive sales agent for the Products of these Suppliers in Japan; and (ii) for the purchasing of the Products from these Suppliers, EP Trading may enjoy discounts of up to 20% as compared to the price as quoted on the United States published price list. Therefore, we are of the view that the arrangements as mentioned in the above would allow to EP Trading to purchase the Products from the Suppliers at prices not less favourable than from the open market and other independent suppliers, while satisfying its customers' needs in respect of the Products from certain brand names.

In view of the above, we are of the view that the pricing policy of the Products under the Framework Purchase Agreement is not more favourable to EPS USA than other Independent Third Parties and is therefore fair and reasonable and in the interest of the Company and the Shareholders as a whole.

As stated in the Board Letter, in order to ensure the terms of the Framework Purchase Agreement are on normal commercial terms and fair and reasonable to the Company and the Shareholders and are no less favourable than those offered by the Group to the Independent Third Parties, the Company has formulated the following internal control policies and adopted the following internal control measures:

- (i) the Finance Department will closely monitor the transactions on a monthly basis under the Framework Purchase Agreement to ensure that the transactions amount will not exceed the 2023-2026 Annual Caps;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) in the event that the anticipated transaction amounts are expected to exceed the 2023-2026 Annual Caps, the Finance Department will discuss with the management of the Company to consider the necessity to revise the 2023-2026 Annual Caps based on the estimated transaction amounts and any of revision will be subject to the approval of the Board, the board of directors of EP Trading and the Independent Shareholders (if there is any adjustments to the 2023-2026 Annual Caps, the Company will re-comply with the relevant requirements under the Rule 14A.54 of the Listing Rules);
- (iii) the Finance Department will conduct regular random checks on a quarterly basis to review and assess whether the transactions contemplated under the Framework Purchase Agreement are conducted on normal commercial terms, in accordance with the terms set out in the Framework Purchase Agreement and whether the relevant contract terms are in the interest of the Company and the Shareholders as a whole (for example, the maximum price of the Products to be offered to the Group must not be higher or equal to the acquisition cost together with 3% markup thereon of the Products as procured by EPS USA);
- (iv) the audit committee of the Company will conduct annual review on the transactions contemplated under the Framework Purchase Agreement to report if the transaction amounts are within the 2023-2026 Annual Caps and has complied with the terms and pricing basis of the Framework Purchase Agreement;
- (v) the external auditor of the Company will conduct annual review of the transactions entered into under the Framework Purchase Agreement to ensure that the transactions amount is within the 2023-2026 Annual Caps and the transactions is in accordance with the terms set out in the Framework Purchase Agreement; and
- (vi) the independent non-executive Directors will conduct annual review of the status of the transactions contemplated under the Framework Purchase Agreement to ensure that the Company has complied with its internal approval process and the relevant requirements under the Listing Rules.

Having considered that (i) the audit committee of the Company will conduct annual review to ensure that the transactions contemplated under the Framework Purchase Agreement; and (ii) the Finance Department will conduct regular random checks on a quarterly basis to review and assess the transactions contemplated under the Framework Purchase Agreement to ensure that the maximum price of the Products to be offered to the Group must not be higher or equal to the acquisition cost together with 3% markup thereon of the Products as procured by EPS USA, we concurred with the view of the Directors that the above internal control measures are sufficient to ensure that the transactions contemplated under the under the Framework Purchase Agreement are not more favourable to EPS USA than other Independent Third Parties, and will be conducted on normal commercial terms and not prejudicial to the interest of the Company and Independent Shareholders.

5. Basis for determining the 2023-2026 Annual Caps

Set out below are the proposed annual caps of the Transactions for each of the three financial years ending 31 March 2026.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the year ending 31 March		
	2024	2025	2026
	<i>Approximately HK\$ million</i>	<i>Approximately HK\$ million</i>	<i>Approximately HK\$ million</i>
Proposed annual caps	30.0	33.0	36.0

We were given to understand that the 2023-2026 Annual Caps was determined based on (i) the historical the transaction amounts of Products purchased from EPS USA; (ii) the estimated growth based on market research for preclinical contract research organizations performed by the Company; and (iii) the buffer which is considered as necessary to provide sufficient buffer to cater for the possible increase in the purchase of Products . The proposed annual caps for the year ending 31 March 2025 and 2026 was determined based on the CAGR of approximately 7.9%, respectively.

Set out below is a summary of the amounts of Products purchased from EPS USA by EP Trading for the five financial years ended 31 March 2023:

	For the year ended 31 March 2019	For the year ended 31 March 2020	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2023
	<i>Approximately HK\$ million</i>	<i>Approximately HK\$ million</i>	<i>Approximately HK\$ million</i>	<i>Approximately HK\$ million</i>	<i>Approximately HK\$ million</i>
	Historical transaction amounts	22.9	40.9	29.4	24.7

Before the outbreak of the Covid-19, the transaction amounts of Products purchased from EPS USA was increased from approximately HK\$22.9 million for the year ended 31 March 2019 to approximately HK\$40.9 million for the year ended 31 March 2020, representing an increase of approximately 78.6% annual growth. The amounts of Products purchased from EPS USA decreased after the year ended 31 March 2020 to approximately HK\$25.5 million for the year ended 31 March 2023 which was primarily attributable to the disruption of logistic and delivery of overseas products to Japan caused by the Covid-19.

We have discussed with the Management and were given to understand that due to various restriction policies implemented by governments around the globe during the Covid-19, the logistic and delivery of overseas products to Japan have been disrupted and adversely affected, which resulted in a relative lower historical amount of the Transactions. Therefore, the transaction amount in relation to the Products from 2021 to 2023 represented an understatement of the normalised amount of the Transactions as the logistic and delivery arrangements around the globe have resumed to normal after the Covid-19. We noted that even having taken into account the abovementioned negative effect of Covid-19, the average Transaction amount for the five years ended 31 March 2023 was approximately HK\$28.68 million annually.

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Moreover, we were given to understand by the Management that that customers of EP Trading have shown their intention to purchase additional Products in the upcoming years due to their increasing needs for Preclinical Trials.

Having considered (i) the uplifting of Covid-19 related restriction policies such that the logistic and delivery of overseas products to Japan have resumed to normal; (ii) the average Transaction amount for the five years ended 31 March 2023 was approximately HK\$28.68 million annually even having taken into account the negative effect of Covid-19, among other things, the disruption of logistic and delivery of overseas products to Japan; (iii) that customers of EP Trading have shown their intention to purchase additional Products in the upcoming years due to their increasing needs for Preclinical Trials; (iv) that EPS USA will continue to provide suppliers management service under the Framework Purchase Agreement and may potentially refer more customers to the Group; and (v) that it is in line with the Group's business strategy to further develop its business in EP Trading, it is expected that the scale of the Transactions amount will gradually resume to be over HK\$30 million, and may continue to resume to a level similar to the Transactions amount for the year ended 31 March 2020 (prior to Covid-19).

Moreover, as stated in the above, the Board expects that upon the Covid-19, the Healthcare Development and the increasing trend of the study and research and development in the biological field, including animal testing, will significantly increase the demand of the Preclinical Trials and the Products, namely pre-clinical animal testing consumables including purified diets for lab animals, animal bedding, animal cage and other consumables.

As mentioned in the section headed "3. Reasons for and benefits of entering into the Framework Purchase Agreement" in this letter, Preclinical Trials and the respective trial results were essential to the accurateness and value of the information yielded from the Preclinical Trials and could be materially affected based on factors including but not limited to, the size of the sample and/or the materials and equipment being used in conducting the Preclinical Trials. The abovementioned trend for the increasing the size of the sample will continue to stimulate the demand of the Products. We understood from the Management that EP Trading may procure more Products in any given year when the exchange rate between JPY and the United State dollar become more favourable to the Group's trading and distribution of the Products.

Japan is one of the top pharmaceutical markets in the world and a critical export market for pharmaceuticals around the world. According to the statistics from International Trade Administration (<https://www.trade.gov/>), an agency in the United States Department of Commerce, the healthcare expenditure of Japan has been growing and remaining to be above JPY400 billion since 2015. The Covid-19 has demonstrated the importance of innovative healthcare products and further enhanced the public's attention and demand of Japan's healthcare sector. As such, Japan has prioritised the development of innovative pharmaceuticals and vaccines in response to the Covid-19. The flourishing healthcare and pharmaceutical sector in Japan continue to drive the need for rigorous drug testing, fostering innovation and ensuring the well-being of the population.

As mentioned in the Board Letter, according to summary of "Preclinical CRO Market" published by Global Market Insights Inc. (<https://www.gminsights.com/industry-analysis/preclinical-cro-market>), the preclinical contract research organization market size accounted for over USD5.3 billion in 2022

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and it estimated to grow at a CAGR of 7.9% between 2023 and 2032. Technological advancements and rising demand for preclinical contract research organizations are the major factors for the global market growth.

Based on our findings with reference to the data published by Statista (<https://www.statista.com/>), a renowned online platform specialised in data gathering and visualization which offers statistics and reports for over 15 years, the health technology market in Japan is estimated to grow at a CAGR of 11.4% between 2023 and 2026. The growing health technology market calls for the needs for Preclinical Trials and the respective trial results, which shall stimulate the demand for the Products, as mentioned in the above. We are therefore of the view that the Management's expectation of the growth in CRO as mentioned in the above is reasonable.

According to the statistics from the Statics Bureau of Japan (<https://www.stat.go.jp/>), the aged population (being 65 years old and over) was 36.21 million, representing approximately 28.9% of the total population. With an aging population and increasing healthcare expenditure, the focus on ensuring the safety and effectiveness of medications has intensified. As a result, pharmaceutical companies, healthcare providers and regulatory authorities are placing significant emphasis on comprehensive preclinical trials to guarantee the quality and effectiveness of medical products. The surge in demand for preclinical trial will continue to stimulate the use of the Products and enhance the business of EP Trading.

In light of the above and considering the average historical Transactions amount of the five years ended 31 March 2023 of approximately HK\$28.68 million annually, the annual growths of approximately 10% for the 2023-2026 Annual Caps were adopted to accommodate for (i) the growth in demand for the Products driven by the healthcare industry of Japan and the increasing trend and demand for the Preclinical Trials; and (ii) the recovery of Transaction amount as the logistic and delivery arrangements around the globe have resumed to normal after the Covid-19. The buffers of approximately 5% have been applied taking into account (i) uncertainty in the fluctuation of the United States dollar and JPY exchange rate which might affect the Group's purchasing strategy of the Products in any given year; and (ii) possible unexpected increases in transaction amounts due to one-off and/or occasional events. Moreover, the Management is of the view that it would be beneficial to the Group to request for a larger 2023-2026 Annual Caps in order to avoid suffering from incurring extra cost and the adverse impact on the financial performance of the Company cause by the exceeding of the 2023-2026 Annual Caps.

Having considered the above, in particular (i) that the Group intends to capture the development and prospect of the healthcare industry; (ii) as the logistic and delivery arrangements around the globe have resumed to normal after the Covid-19 that the scale of the Transactions amount for each of the three years ending 31 March 2026 is expected to gradually resume to a level similar to that prior to Covid-19; (iii) the Group is expected to conduct more Transactions given the positive trend for the awareness and development of the healthcare industry in Japan which shall ultimately result in the increasing demand of the Products; (iv) the Group may purchase a larger amount of the Products in any given year when the exchange rate between JPY and the United State dollar become more favourable to the Group's trading and distribution of the Products; and (v) the Group would like to enjoy the flexibility to conduct more Transactions in order to capture the gain for the Company and

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the Shareholders without the risk of exceeding the 2023-2026 Annual Caps, we concur with the Directors' view that the 2023-2026 Annual Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the nature of the Framework Purchase Agreement is in the ordinary and usual course of business of the Group and the terms of the Framework Purchase Agreement, the transactions contemplated thereunder and the 2023-2026 Annual Caps are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Yours Faithfully,
For and on behalf of
Veda Capital Limited
Julisa Fong
Managing Director

Ms. Julisa Fong is a licensed person registered with the SFC and a responsible officer of Veda Capital Limited which is licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity and has over 26 years of experience in corporate finance industry.

1. RESPONSIBILITY OF THE DIRECTORS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS**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 the Latest Practicable Date, 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 SFO (Chapter 571 of the Laws of Hong Kong)) 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 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 the Latest Practicable Date, 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 <i>(note 1)</i>
EPS Holdings	Beneficial owner	375,000,000 (L) <i>(notes 2 and 4)</i>	75%
Shinyou KK	Interest of a controlled corporation	375,000,000 (L) <i>(notes 2 and 4)</i>	75%
Y& G Limited	Interest of a controlled corporation	375,000,000 (L) <i>(notes 2 and 4)</i>	75%
Mr. Yan Hao (“ Mr. Yan ”)	Interest of a controlled corporation	375,000,000 (L) <i>(notes 2 and 4)</i>	75%
RIN HOLDING CO., LIMITED (“ RIN HOLDING ”)	Beneficial owner	100,000,000 (L) <i>(notes 3 and 4)</i>	20%
TAIGA INDUSTRIAL CO., LTD (“ TAIGA INDUSTRIAL ”)	Interest of controlled corporation	100,000,000 (L) <i>(notes 3 and 4)</i>	20%
Mr. He Jun (“ Mr. He ”)	Interest of controlled corporation	100,000,000 (L) <i>(notes 3 and 4)</i>	20%

Notes:

- As at the Latest Practicable Date, the Company’s issued ordinary share capital was HK\$5.0 million divided into 500,000,000 ordinary shares of HK\$0.01 each.
- EPS Holdings is wholly-owned by Shinyou KK, a company incorporated in Japan which is owned as to approximately 71.80% by Y& G Limited, 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 Holdings.
- 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.
- The letter “L” denotes a long position in the Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. MATERIAL ADVERSE CHANGES

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2023, being the date up to which the latest published audited accounts of the Company were made.

4. 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 unless otherwise agreed.

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 a non-executive Director unless otherwise agreed.

5. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors had any interest in any assets which have been, since 31 March 2023 (being the date up to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group and none of the other Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting and significant in relation to the business of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of them had interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
Veda Capital Limited	A licensed corporation to carry out type 6 (advising on corporation finance) regulated activities under the SFO

Veda Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, Veda Capital Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Veda Capital Limited did not have any direct or indirect interest in any assets which have been, since 31 March 2023 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by, or leased to any member of the Group.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

9. MISCELLANEOUS

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The head office and principal place of business in Hong Kong of the Company is situated at Flat A, 17/F., Gemstar Tower, 23 Man Lok Street, Hung Hom, Kowloon, Hong Kong.
- (c) The Company's branch share registrar in Hong Kong is Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The company secretary of the Company is Mr. Chiu Chun Tak, a Hong Kong practicing CPA and a fellow member of Hong Kong Institute of Certified Public Accountants.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.epshk.hk/>), for a period of 14 days from the date of this circular:

- (a) this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 16 of this circular;

- (c) the letter from the Independent Financial Advisor, the text of which is set out on pages 17 to 31 of this circular;
- (d) the written consent from the Independent Financial Advisor referred to in the section headed “Expert and Consent” in this appendix;
- (e) the Framework Purchase Agreement; and
- (f) the Supplemental Agreement.

NOTICE OF EGM



EPS Creative Health Technology Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3860)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of EPS Creative Health Technology Group Limited (the “**Company**”) will be held at 9/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong on Tuesday, 26 September 2023 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the Framework Purchase Agreement (as defined in the circular of the Company dated 11 September 2023 relating to the continuing connected transactions (the “**Circular**”), a copy of which will be produced to the meeting and marked “A” and initialed by the chairman of the EGM for the purpose of identification) (as supplemented by a supplemental agreement dated 5 September 2023), the terms and the transactions contemplated thereunder together with the relevant proposed annual caps in relation to such transactions for each of the three financial years ending 31 March 2026 as set out in the Circular be and are hereby approved and confirmed; and
- (b) any director of the Company be and is hereby authorised to take any step and execute such other documents as he considers necessary, desirable or expedient that are of administrative nature and ancillary to and for the purposes of carrying out or giving effect to the Framework Purchase Agreement or the transactions contemplated thereunder.”

By order of the Board

EPS Creative Health Technology Group Limited

Mr. Okoso Satoshi

Chairman and Chief Executive Officer

Hong Kong, 11 September 2023

Registered office:

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

Principal place of business in Hong Kong:

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

NOTICE OF EGM

Notes:

1. All resolutions at the meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates to purely a procedural or administrative matter to be voted on by a show of hands in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorized.
3. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy (or more than one proxy if he is the holder of two or more shares) to attend and vote instead of him. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
4. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. In order to determine the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from 21 September 2023 to 26 September 2023 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for attending and voting at the EGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration by not later than 4:30 p.m. on 20 September 2023.
6. Where there are joint registered holders of any share of the Company, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.
7. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the Meeting if the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked.
8. If Typhoon Signal No. 8 or above, or a “black” rainstorm warning is in effect any time after 7:00 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will publish an announcement on the website of the Company and on the website of the Stock Exchange at <http://www.hkexnews.hk> to notify Shareholders of the date, time and venue of the rescheduled meeting.
9. As at the date of this notice, the executive Directors are Mr. Okoso Satoshi (Chairman and Chief Executive Officer), Mr. Miyano Tsumoru (Managing Director), Mr. Haribayashi Keikyo, Mr. Maezaki Masahiro and Mr. Gao Feng; the non-executive Directors is Mr. Xia Xiangming; and the independent non-executive Directors are Mr. Taguchi Junichi, Mr. Choi Koon Ming and Mr. Chan Cheuk Ho.