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EPS Creative Health Technology Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3860)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

FINANCIAL HIGHLIGHTS

- Revenue of approximately HK\$357.8 million was recorded for the Reporting Period;
- Loss after taxation for the Reporting Period amounted to approximately HK\$8.7 million;
- Basic loss per share for the Reporting Period based on weighted average number of 500,000,000 ordinary shares of the Company was approximately 1.05 HK cents; and
- The Board does not recommend the payment of an interim dividend for the Reporting Period.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of EPS Creative Health Technology Group Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2023 (the “**Reporting Period**”) together with comparative unaudited figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

		Six months ended	
		30 September	
		2023	2022
		HK\$'000	HK\$'000
			(restated)
	Notes	(unaudited)	(unaudited)
Revenue	3	357,829	258,387
Cost of sales		<u>(308,998)</u>	<u>(213,061)</u>
Gross profit		48,831	45,326
Other income and loss	5	15,170	(1,954)
Other expenses	8	(11,408)	(5,412)
Selling and distribution expenses		(25,475)	(21,547)
Administrative expenses		(32,149)	(31,639)
Finance costs		<u>(3,151)</u>	<u>(3,113)</u>
Loss before taxation	8	(8,182)	(18,339)
Income tax expense	6	<u>(500)</u>	<u>(2,094)</u>
Loss for the period		<u><u>(8,682)</u></u>	<u><u>(20,433)</u></u>

		Six months ended	
		30 September	
		2023	2022
		HK\$'000	HK\$'000
			(restated)
	<i>Note</i>	(unaudited)	(unaudited)
Other comprehensive expense			
Other comprehensive expense to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(897)</u>	<u>(820)</u>
Other comprehensive expense for the period		<u>(897)</u>	<u>(820)</u>
Total comprehensive expense for the period		<u><u>(9,579)</u></u>	<u><u>(21,253)</u></u>
Loss for the period attributable to:			
Owners of the Company		(5,235)	(18,923)
Non-controlling interests		<u>(3,447)</u>	<u>(1,510)</u>
		<u><u>(8,682)</u></u>	<u><u>(20,433)</u></u>
Total comprehensive expense attributable to:			
Owners of the Company		(6,053)	(19,722)
Non-controlling interests		<u>(3,526)</u>	<u>(1,531)</u>
		<u><u>(9,579)</u></u>	<u><u>(21,253)</u></u>
Loss per share attributable to ordinary equity holders of the Company			
		<i>HK cents</i>	<i>HK cents</i>
Basic loss per share for the period attributable to owners of the Company	9	<u><u>(1.05)</u></u>	<u><u>(3.78)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2023

		30 September 2023 <i>HK\$'000</i> (unaudited)	31 March 2023 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		4,345	3,148
Right-of-use assets		1,071	2,666
Other financial assets		2,977	2,977
Goodwill		19,919	–
Intangible assets		91,445	239
Refundable rental deposits	10	<u>1,201</u>	<u>1,732</u>
		<u>120,958</u>	<u>10,762</u>
Current assets			
Inventories		26,954	16,871
Contract assets		831	2,786
Trade and other receivables	10	84,655	56,488
Tax recoverable		–	116
Pledged bank deposit		9,000	9,000
Bank and cash balances		<u>132,507</u>	<u>131,471</u>
		<u>253,947</u>	<u>216,732</u>
Current liabilities			
Trade and other payables	11	97,471	34,347
Contract liabilities		3,236	5,648
Amount due to a related party		75,026	70,585
Amount due to ultimate holding company		2,562	318
Bank borrowings		7,526	–
Lease liabilities		1,095	2,564
Tax payable		<u>2,795</u>	<u>1,722</u>
		<u>189,711</u>	<u>115,184</u>
Net current assets		<u>64,236</u>	<u>101,548</u>
Total assets less current liabilities		<u>185,194</u>	<u>112,310</u>

	30 September 2023 <i>HK\$'000</i> (unaudited)	31 March 2023 <i>HK\$'000</i> (audited)
Non-current liabilities		
Lease liabilities	–	141
Amount due to a related party	51,742	20,525
Deferred tax liabilities	15,074	–
	<u>66,816</u>	<u>20,666</u>
NET ASSETS	<u>118,378</u>	<u>91,644</u>
Capital and reserves		
Share capital	5,000	5,000
Reserves	77,219	82,639
	<u>82,219</u>	<u>87,639</u>
Equity attributable to the owners of the Company	82,219	87,639
Non-controlling interests	36,159	4,005
	<u>118,378</u>	<u>91,644</u>
TOTAL EQUITY	<u>118,378</u>	<u>91,644</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

1. BASIS OF PREPARATION

The condensed consolidated financial statements of EPS Creative Health Technology Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 March 2023.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on 1 April 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17	Insurance Contracts (including the relevant amendments)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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

3. REVENUE

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

	Six months ended 30 September	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (restated) (unaudited)
Trading of apparel products		
– Womenswear	189,852	174,959
– Menswear	78,885	39,675
– Kidswear	6,227	10,687
	<u>274,964</u>	<u>225,321</u>
Trading of healthcare products	65,060	25,686
Provision of innovative research organisation (“IRO”) and specialised contract research organisation (“CRO”) services	<u>17,805</u>	<u>7,380</u>
	<u><u>357,829</u></u>	<u><u>258,387</u></u>

4. SEGMENT INFORMATION

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

The Group's reportable segments are therefore as follows:

- (a) Trading of apparel products (“**Garment Business**”)
- (b) Trading of healthcare products (“**Healthcare Products Business**”)
- (c) Provision of IRO and CRO services and In-house R&D Business (“**IRO with CRO and In-House R&D Business**”)

Segment revenues and results

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

	Six months ended 30 September 2023			
	Garment Business <i>HK\$'000</i> (Unaudited)	Healthcare Products Business <i>HK\$'000</i> (Unaudited)	IRO with CRO and In-house R&D Business <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Segment revenue	<u>274,964</u>	<u>65,060</u>	<u>17,805</u>	<u>357,829</u>
Segment profit (loss)	<u>9,812</u>	<u>(369)</u>	<u>(26,661)</u>	(17,218)
Unallocated amounts:				
Bank interest income				760
Unallocated corporate expenses				(5,806)
Unallocated corporate income				14,099
Finance costs on lease liabilities				<u>(17)</u>
Loss before taxation				<u>(8,182)</u>
	Six months ended 30 September 2022			
	Garment Business <i>HK\$'000</i> (Unaudited)	Healthcare Products Business <i>HK\$'000</i> (Unaudited)	IRO with CRO and In-house R&D Business <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Restated) (Unaudited)
Segment revenue	<u>225,321</u>	<u>25,686</u>	<u>7,380</u>	<u>258,387</u>
Segment profit (loss)	<u>11,256</u>	<u>(7,022)</u>	<u>(13,118)</u>	(8,884)
Unallocated amounts:				
Bank interest income				31
Unallocated corporate expenses				(9,419)
Finance costs on lease liabilities				<u>(67)</u>
Loss before taxation				<u>(18,339)</u>

Segment assets and liabilities

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

As at 30 September 2023 (unaudited)

	Garment Business HK\$'000	Healthcare Products Business HK\$'000	IRO with CRO and In-House R&D Business HK\$'000	Consolidated HK\$'000
Segment assets	151,342	170,284	36,351	357,977
Other assets				<u>16,928</u>
Consolidated assets				<u><u>374,905</u></u>
Segment liabilities	119,375	57,913	25,639	202,927
Other liabilities				<u>53,600</u>
Consolidated liabilities				<u><u>256,527</u></u>

As at 31 March 2023 (audited)

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

Geographic information

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

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

	Revenues from external customers		Non-current assets	
	Six months ended 30 September		As at 30 September	As at 31 March
	2023	2022	2023	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
Hong Kong	<u>13,792</u>	<u>3,845</u>	<u>21,203</u>	<u>2,385</u>
Japan	106,979	107,526	3,637	2,574
Mainland China	67,428	14,934	91,940	1,094
Europe	47,787	6,470	–	–
United States	120,467	95,776	–	–
Other countries	<u>1,376</u>	<u>29,836</u>	<u>–</u>	<u>–</u>
	<u>344,037</u>	<u>254,542</u>	<u>95,577</u>	<u>3,668</u>
	<u>357,829</u>	<u>258,387</u>	<u>116,780</u>	<u>6,053</u>

Note: Non-current assets exclude financial assets.

Revenue from major customers:

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

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Customer A (from Garment Business)	154,349	135,888
Customer B (note)	<u>N/A</u>	<u>25,513</u>

Note: Customer B did not contribute more than 10% of the total revenue in for the six months ended 30 September 2023.

5. OTHER INCOME AND LOSS

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

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	<i>HK\$'000</i>
	(unaudited)	(restated)
		(unaudited)
Interest income	760	31
Government grants	28	952
Sample sales income	818	429
Gain (loss) on disposal of property, plant and equipment	1	(1)
Sundry income	415	583
Fair value change on promissory note	14,521	–
Loss on exchange difference, net	(1,373)	(3,948)
	<u>15,170</u>	<u>(1,954)</u>
Total other income (loss)	<u>15,170</u>	<u>(1,954)</u>

6. INCOME TAX EXPENSE

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

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	<i>HK\$'000</i>
	(unaudited)	(restated)
		(unaudited)
Hong Kong Profits Tax		
Charge for the period	<u>2,232</u>	<u>2,292</u>
PRC Enterprise Income Tax		
Charge for the period	2	67
Overprovision in respect of prior year	(3)	–
	<u>(1,302)</u>	<u>(268)</u>
Japan Corporate Income Tax		
Overprovision in respect of prior year	<u>(1,302)</u>	<u>(268)</u>
Deferred tax (credit) charge	<u>(429)</u>	<u>3</u>
Total income tax expense	<u>500</u>	<u>2,094</u>

The provision for Hong Kong Profits Tax for the six months ended 30 September 2023 and 2022 is calculated at 16.5% of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

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

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

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

7. DIVIDEND

No dividends were paid, declared or proposed during both interim periods.

The Board does not recommend any payment of interim dividend in respect of the current interim period.

8. LOSS BEFORE TAXATION

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(restated)
	(unaudited)	(unaudited)
Loss before taxation is arrived at after charging:		
Staff costs (including Directors' remuneration):		
Salaries, wages and other benefits	42,201	24,791
Contributions to retirement benefit scheme	802	726
	43,003	25,517
Depreciation of property, plant and equipment	3,691	580
Depreciation of right-of-use assets	1,528	1,295
Cost of inventories recognised as expense	327,119	203,714
Research and development expenses (included in other expenses)	11,408	5,412
Write-down of inventories (included in costs of sales)	1,970	–

9. LOSS PER SHARE

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

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
		(restated)
	(unaudited)	(unaudited)
Loss:		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<u>(5,235)</u>	<u>(18,923)</u>
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>500,000</u>	<u>500,000</u>
	HK cents	HK cents
Basic loss per share for the period attributable to owners of the Company	<u><u>(1.05)</u></u>	<u><u>(3.78)</u></u>

No diluted loss per share has been presented for the six months ended 30 September 2023 and 2022 as there were no potential dilutive ordinary shares outstanding during the respective periods.

10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2023 <i>HK\$'000</i> (unaudited)	As at 31 March 2023 <i>HK\$'000</i> (audited)
Trade debtors, net of loss allowance	66,426	34,593
Bills receivable	748	4,792
Deposits and other receivables	13,109	14,680
Prepayments	5,573	4,155
	<u>85,856</u>	<u>58,220</u>

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

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

The following is an ageing analysis of trade debtors presented based on the invoice date at the end of the reporting periods:

	As at 30 September 2023 <i>HK\$'000</i> (unaudited)	As at 31 March 2023 <i>HK\$'000</i> (audited)
1 – 30 days	25,660	19,203
31 – 60 days	28,301	3,447
61 – 90 days	10,553	9,462
Over 90 days	1,912	2,481
	<u>66,426</u>	<u>34,593</u>

11. TRADE AND OTHER PAYABLES

	As at 30 September 2023 <i>HK\$'000</i> (unaudited)	As at 31 March 2023 <i>HK\$'000</i> (audited)
Trade payables	64,473	22,406
Accrued staff costs	1,738	1,175
Accrued expenses	14,318	5,034
Other payables	<u>16,942</u>	<u>5,732</u>
	<u><u>97,471</u></u>	<u><u>34,347</u></u>

An ageing analysis of the trade payables presented based on the invoice dates as follow:

	As at 30 September 2023 <i>HK\$'000</i> (unaudited)	As at 31 March 2023 <i>HK\$'000</i> (audited)
1 – 30 days	35,227	19,848
31 – 60 days	18,940	1,413
61 – 90 days	7,062	–
Over 90 days	<u>3,244</u>	<u>1,145</u>
	<u><u>64,473</u></u>	<u><u>22,406</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

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

Under the healthcare segment, the Group is also principally engaged in Healthcare Products Business, IRO with CRO and In-house R&D Business. During the Reporting Period, the Group has acquired a company and its subsidiary which are principally engaged in the sales of Japanese health food and brand operation in PRC.

BUSINESS REVIEW

Garment Business

During the Reporting Period, the Group recorded revenue of approximately HK\$275.0 million in this segment, representing an increase of approximately 22.1% as compared to approximately HK\$225.3 million for the six months ended 30 September 2022. The Group's gross profit for the Reporting Period in this segment amounted to approximately HK\$42.1 million (for the six months ended 30 September 2022: approximately HK\$42.7 million). The decrease in gross profit of the Group in this segment was primarily attributable to the decrease in the overall average selling price for a major customer headquartered in USA.

During the period under review, although the Covid-19 pandemic has subsided, the other economic instabilities like rising interest rates, soaring inflation rates, increasing logistic costs as well as the high energy prices continue to make our business challenging. Our sales teams would continue to expand our client bases and to explore into more manufacturing sources and products development. Hopefully by doing so we could maintain our garment business with a profitable margin.

Healthcare Products Business

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

In May 2023, we have acquired (the “**Acquisition**”) 65% shares of R&E Corporation Limited.

Following the Acquisition, the Company would be able to rely on the established channels and network for the supply and distribution of Japanese health food of the Target Group to the PRC and overseas. The Acquisition would complement the existing business operations of the Group in the healthcare segment which would help create greater returns for the Company and its Shareholders as a whole.

The Group recorded revenue of approximately HK\$65.0 million for the Reporting Period in this segment, representing an increase of approximately 153.3% as compared to approximately HK\$25.7 million for the six months ended 30 September 2022. The Group’s gross profit for the reporting year in this segment amounted to approximately HK\$13.6 million (for the six months ended 30 September 2022: approximately HK\$5.1 million). The increase in revenue and gross profit mainly arose as a result of the contributions from R&E Corporation Limited and its subsidiary, Taiga SCM (Shenzhen) Co., Ltd. during the Reporting Period.

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

IRO with CRO Services

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

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

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

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

In-house R&D Business

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

The Group recorded a revenue of approximately HK\$17.8 million for the Reporting Period in this segment, representing an increase of approximately 141.3% as compared to approximately HK\$7.4 million for the six months ended 30 September 2022. The Group's gross loss for the Reporting Period in this segment amounted to approximately HK\$6.9 million (for the six months ended 30 September 2022: approximately HK\$2.5 million). The Japan-PRC specialised CRO business is very competitive and the Group is in the process to coordinate industry resources to improve its margins. In addition, IRO business is characterized by the fact that most of the business development customers in the early stage are mainly consulting and there shall be long-term benefits once these customers' business is secured.

Performance Review

The Group's total comprehensive expense attributable to owners of the Company was approximately HK\$6.1 million for the Reporting Period (for the six months ended 30 September 2022, the total comprehensive expense attributable to owners of the Company was restated as approximately HK\$19.7 million). The decrease of the total comprehensive expense attributable to owners of the Company is mainly attributable to (i) the increase in loss attributable to IRO business of HK\$6 million; (ii) the fair value change on promissory note of approximately HK\$14.5 million; and (iii) loss on currency translation of foreign operations.

FINANCIAL REVIEW

Revenue from Garment Business

The Group's knitwear products are divided into three categories, namely womenswear products, menswear products and kidswear products. During the Reporting Period, the Group's revenue was mainly derived from the sales of womenswear products, which accounted for approximately 69.0% (for the six months ended 30 September 2022: approximately 77.7%) of the Group's total revenue for the Reporting Period. The following table sets out a breakdown of the Group's revenue by product category for each of the two interim periods:

	Six months ended 30 September				Rate of Change
	2023		2022		
	<i>HK'000</i>	%	<i>HK'000</i>	%	%
Womenswear	189,852	69.0	174,959	77.7	8.5
Menswear	78,885	28.7	39,675	17.6	98.8
Kidswear	6,227	2.3	10,687	4.7	(41.7)
Total	<u>274,964</u>	<u>100.0</u>	<u>225,321</u>	<u>100.0</u>	<u>22.0</u>

During the Reporting Period, the sales volume of the Group amounted to approximately 3.3 million pieces (for the six months ended 30 September 2022: approximately 2.7 million pieces) of finished knitwear products. Set out below are the total sales quantity of each product category for each of the two periods ended 30 September 2023:

	Six months ended 30 September				Rate of Change
	2023		2022		
	<i>Pieces '000</i>	%	<i>Pieces '000</i>	%	%
Womenswear	2,190	66.0	1,925	71.9	13.8
Menswear	1,015	30.6	554	20.6	83.2
Kidswear	113	3.4	203	7.5	(44.3)
Total	<u>3,318</u>	<u>100.0</u>	<u>2,682</u>	<u>100.0</u>	<u>23.7</u>

The selling price of each of the product category depends primarily on, among other things, (i) the complexity of the product design; (ii) the size of an order; (iii) the delivery schedule set out by customers; (iv) the costs of raw materials; and (v) the production costs as quoted by the third-party manufacturers. Accordingly, the selling price of the Group's products may differ considerably in different purchase orders by different customers. Set out below are the average selling prices per piece of finished product sold by the Group by product category for each of the two periods six months ended 30 September 2023:

	Six months ended 30 September		
	2023	2022	Rate of Change %
	Average	Average	
	selling price	selling price	
<i>(Note)</i>	<i>(Note)</i>		
	HK\$	HK\$	
Womenswear	86.7	90.9	(4.6)
Menswear	77.7	71.6	8.5
Kidswear	55.1	52.7	4.6
Overall average selling price per piece	<u>82.9</u>	<u>84.0</u>	<u>(1.3)</u>

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

The Group's revenue of garment business segment increased by approximately 22.0%, or approximately HK\$49.6 million, from approximately HK\$225.3 million for the six months ended 30 September 2022 to approximately HK\$275.0 million for Reporting Period. The increase in revenue was primarily attributable to the increase in purchase orders of the Group from a major customer headquartered in Japan.

Womenswear

During the Reporting Period, the Group's revenue from the garment business segment was mainly derived from the sales of womenswear products. Revenue derived from the sales of womenswear products increased by approximately HK\$14.9 million or 8.5%, from approximately HK\$175.0 million for the six months ended 30 September 2022 to approximately HK\$189.9 million for the Reporting Period. Such increase was mainly attributable to the increase in sales quantity from approximately 1.9 million pieces for the six months ended 30 September 2022 to approximately 2.2 million pieces for the Reporting Period, which outweighed a decrease in average selling price per piece of womenswear products from approximately HK\$90.9 for the six months ended 30 September 2022 to approximately HK\$86.7 for the Reporting Period.

Menswear

The Group's revenue derived from the sales of menswear products increased by approximately HK\$39.2 million or 98.8% from approximately HK\$39.7 million for the six months ended 30 September 2022 to approximately HK\$78.9 million for the Reporting Period. Such increase was mainly attributable to the increase in sales quantity from approximately 0.6 million pieces for the six months ended 30 September 2022 to approximately 1.0 million pieces for the Reporting Period coupled with the increase in average selling price per piece of menswear products from approximately HK\$71.6 for the six months ended 30 September 2022 to approximately HK\$77.7 for the Reporting Period.

Kidswear

Revenue derived from the sales of kidswear products of the Group decreased by approximately HK\$4.5 million or 41.7% to approximately HK\$6.2 million for the Reporting Period from approximately HK\$10.7 million for the six months ended 30 September 2022. The decrease in the revenue of the Group's kidswear products was mainly attributable to the decrease in sales volume of the Group's kidswear products from approximately 0.2 million pieces for the six months ended 30 September 2022 to approximately 0.1 million pieces for the Reporting Period, which outweighed the increase in average selling price per piece of the kidswear products from approximately HK\$52.7 for the six months ended 30 September 2022 to approximately HK\$55.1 for the Reporting Period.

Revenue from Healthcare Products Business

Revenue derived from the Healthcare Products Business of the Group increased by approximately HK\$39.4 million or 153.3% to approximately HK\$65.1 million for the Reporting Period from approximately HK\$25.7 million for the six months ended 30 September 2022. The significant increase in the revenue of the Group is mainly attributable to an overall increment in purchase orders from customers and the sales from the new acquired subsidiaries during the Reporting Period.

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

Revenue derived from the IRO with CRO and In-house R&D Business of the Group increased by approximately HK\$10.4 million or 141.3% to approximately HK\$17.8 million for the Reporting Period from approximately HK\$7.4 million for the six months ended 30 September 2022.

Gross profit and gross profit margins

Garment Business

The Group's gross profit of garment business is stable to approximately HK\$42.1 million for the Reporting Period as compared with approximately HK\$42.7 million for the six months ended 30 September 2022, representing a decrease of approximately 1.4%. The Group's gross profit margin of garment business decreased to approximately 15.3% for the Reporting Period from approximately 19.0% for the six months ended 30 September 2022. Such decrease in the Group's gross profit margin of garment business was mainly attributable to the decrease in average selling price from a major customer headquartered in USA.

Healthcare Products Business

The Group's gross profit of healthcare products business increased to approximately HK\$13.6 million for the Reporting Period from approximately HK\$5.1 million for the six months ended 30 September 2022, representing an increase of approximately 168.9%. The significant increase in the revenue of healthcare products business of the Group is mainly attributable to (i) an overall increment in purchase orders from customers and (ii) the sales of Japanese health food in PRC from the new acquired subsidiaries during the Reporting Period.

IRO with CRO and In-house R&D Business

The Group's gross loss of IRO with CRO and in-house R&D business increased to approximately HK\$6.9 million for the Reporting Period from approximately HK\$2.5 million for the six months ended 30 September 2022, representing an increase of approximately 176.0%. The increase in gross loss of IRO with CRO and In-house R&D business of the Group was primarily attributable to the competitiveness of the Japan-PRC specialised CRO business and that the Group has been in the process of coordinating industry resources to improve its margins. In addition, the IRO business is characterized by the fact that most of the business development customers in the early stage are mainly consulting and there shall be long-term benefits once these customers' business is secured.

Other income and loss

Other income and loss mainly consists of sample sales income, exchange loss and loss on disposal of property, plant and equipment. Other income increased by approximately HK\$17.1 million for the Reporting Period to HK\$15.2 million from the loss approximately HK\$2.0 million for the six months ended 30 September 2022. The increase in other income and loss of the Group was primarily attributable to the fair value change on promissory note, approximately HK\$14.5 million, issued for the acquisition of the 65% equity interests in R&E Corporation Limited during the Reporting Period.

Other expenses

Other expenses mainly consist of research and development cost and related administrative expenses in In-House R&D Business. Such expenses have increased to approximately HK\$11.4 million for the Reporting Period from approximately HK\$5.4 million for the six months ended 30 September 2022, representing an increase of approximately 110.8%. Such increase was mainly attributable to the increase in research and development trials during the Reporting Period.

Selling and distribution expenses

Selling and distribution expenses mainly consist of advertising expenses, commission expenses, logistic expenses, sample costs and staff costs and benefits of merchandising staff. Selling and distribution expenses increased to approximately HK\$25.5 million for the Reporting Period from approximately HK\$21.5 million for the six months ended 30 September 2022, representing an increase of approximately 18.2%. Such increase was mainly attributable to the overall increase in transportation cost and the selling expenses of the Healthcare Products Business.

Administrative expenses

Administrative expenses primarily consist of legal and professional fees, overseas and local travelling and general administrative expenses. Administrative expenses increased to approximately HK\$32.1 million for the Reporting Period from approximately HK\$31.6 million for the six months ended 30 September 2022, representing an increase of approximately 1.6%. Such increase was mainly attributable to the increase in staff costs and benefits and the legal and professional fees during the Reporting Period.

Finance costs

Finance costs slightly increased to approximately HK\$3.2 million for the Reporting Period from approximately HK\$3.1 million for the six months ended 30 September 2022. Finance costs was mainly attributable to the factoring cost arisen from the Garment Business.

Total comprehensive expense attributable to owners of the Company

Total comprehensive expense attributable to owners of the Company amounted to approximately HK\$6.1 million for the Reporting Period compared with that of approximately HK\$19.7 million for the six months ended 30 September 2022, representing a decrease of approximately HK\$13.7 million. The decrease in the total comprehensive expense attributable to owners of the Company is mainly attributable to (i) the increase in loss attributable to IRO business of HK\$6.0 million; (ii) the fair value change on promissory note of approximately HK\$14.5 million; and (iii) loss on currency translation of foreign operations.

BASIC LOSS EARNINGS PER SHARE

The Company's basic loss per share for the Reporting Period was approximately 1.05 HK cents, as compared to the basic loss per share of approximately 3.78 HK cent for the six months ended 30 September 2022.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Reporting Period (six months ended 30 September 2022: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group's operations were generally financed through its internally generated cash flows and borrowings from banks. In the long term, the Group's operations will be funded by a combination of internally generated cash flows, bank borrowings and, if necessary, additional equity financing.

As at 30 September 2023 and 31 March 2023, the Group had net current assets of approximately HK\$64.2 million and HK\$101.5 million, respectively, including bank and cash balances of approximately HK\$132.5 million and HK\$131.5 million, respectively. The Group's current ratio decreased from approximately 1.9 as at 31 March 2023 to approximately 1.3 as at 30 September 2023. Such decrease was mainly due to the increase in current assets by approximately 17.2% whilst current liabilities significantly increased by approximately 64.7% as compared to the balances as at 31 March 2023. The significant increase in current liabilities were mainly attributable to the increase in trade and other payables.

Gearing ratio is calculated based on the total loans and borrowings (including bank borrowings due within one year and lease liabilities) divided by total equity at the respective reporting date. As at 30 September 2023 and 31 March 2023, the Group's gearing ratio was 2.17 and 1.48, respectively. The Group entered into two banking facility agreements with the amount in aggregate of up to approximately HK\$19.8 million as at 30 September 2023 (at 31 March 2023: HKD19.8 million). The Group's rate of unutilised banking facilities was 100% as at 30 September 2023. With the existing available cash and cash equivalents, the Group has sufficient liquidity to satisfy its funding requirements, but the Group will continue to look for fund raising opportunities in order to further strengthen the Group financial cash position, of necessary.

TREASURY POLICIES

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

CAPITAL STRUCTURE

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

As at 30 September 2023, the Company has an issued share capital of HK\$5.0 million divided into 500,000,000 shares of HK\$0.01 each.

SIGNIFICANT INVESTMENT

As at 30 September 2023 and 31 March 2023, the Group did not hold any significant investment with a value of 5% or more of the Company's total assets as at the end of the respective reporting periods.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this report, the Group currently has no other plan for material investments and capital assets.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATES OR JOINT VENTURES

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

Save as disclosed in this announcement, there was no material acquisition or disposal of subsidiaries, associates or joint venture by the Group during the Reporting Period.

PLEDGE OF ASSETS

As at 30 September 2023 and 31 March 2023, the following assets were pledged to banks to secure certain banking facilities granted to the Group:

	30 September 2023 HK\$'000	31 March 2023 HK\$'000
Pledged bank deposit	<u>9,000</u>	<u>9,000</u>

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2023 (31 March 2023: Nil).

CAPITAL COMMITMENTS

Capital commitments outstanding at 30 September 2023 not provided were as follows:

	30 September	31 March
	2023	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted for Investments in Limited Partnership	<u>2,945</u>	<u>2,945</u>

Save as disclosed above, as at 30 September 2023 and 31 March 2023, the Group had no material capital commitment in respect of leasehold improvement, furniture and fixtures.

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2023, the Group employed a total of 132 full-time employees (as at 30 September 2022: 125). The Group's staff costs included Directors' emoluments, salaries, other staff benefits and contributions to retirement schemes. For the six-month periods ended 30 September 2023 and 2022, the Group's total staff costs (including Directors' emoluments) amounted to approximately HK\$43.0 million and HK\$25.5 million, respectively. Remuneration is determined with reference to market terms and the performance, qualification(s), experience, position and seniority of individual employee. In addition to the basic salary, year-end bonuses would be discretionarily offered to those employees with outstanding performance, in order to retain employees continuously contributing to the Group.

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

FUTURE PROSPECTS

The current state of the global market is one of uncertainty, with multiple challenges in different regions. While the Hong Kong market has shown signs of good recovery since February 2023, the Mainland China market is experiencing a slower recovery than expected. Despite this, we anticipate that garment business will remain steady.

In respect of the apparel business in Japan, the Group will continue to improve its local operations and strengthen its supply chain management services to bring higher added value to ensure a sustainable growth of business.

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

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

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

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

EVENT AFTER THE REPORTING PERIOD

There is no significant event subsequent to 30 September 2023 which would materially affect the Group's operations and financial performance.

AUDIT COMMITTEE

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

The Audit Committee currently consists of three members, namely Mr. Chan Cheuk Ho (the Chairman of the Audit Committee) and Mr. Choi Koon Ming, both being independent non-executive Directors, and Mr. Kusaba Takuya, a non-executive Director. The Audit Committee has reviewed this report including the unaudited interim results of the Group for the Reporting Period before recommending it to the Board for approval.

By order of the Board
EPS Creative Health Technology Group Limited
Miyano Tsumoru
Executive Director

Hong Kong, 29 November 2023

As at the date of this announcement, the executive Directors are Mr. Shimada Tatsuji, Mr. Miyano Tsumoru, Mr. Maezaki Masahiro, Mr. Haribayashi Keikyo, Mr. Miyazato Hiroki and Mr. Chiu Chun Tak; the non-executive Directors are Mr. Kusaba Takuya and Mr. Yan Ping; and the independent non-executive Directors are Mr. Chan Cheuk Ho, Mr. Taguchi Junichi, Mr. Choi Koon Ming and Mr. Saito Hironobu.