EPS Creative Health Technology Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3860)

SUPPLEMENTAL ANNOUNCEMENT
DISCLOSEABLE TRANSACTION
ACQUISITION OF THE ISSUED SHARE CAPITAL; AND SUBSCRIPTION OF CONVERTIBLE BONDS OF THE TARGET COMPANY

Reference is made to the announcement (the "**Announcement**") of EPS Creative Health Technology Group Limited (the "**Company**") dated 29 November 2023 in relation to the entering into the Share Transfer Agreement and the subscription for Convertible Bonds. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

In addition to the information provided in the Announcement, the Board would like to provide the following additional information regarding the disclosure with respect to the transactions contemplated under the Share Transfer Agreement and the Subscription Agreement (the "**Transactions**").

SHARE TRANSFER AGREEMENT

Consideration

The Target Company has received a claim (the "**Case**") for damages from the former director of the Target Company (the "**Plaintiff**") in connection with the Plaintiff's dismissal during the Plaintiff's term of office. In relation to the Case, the Plaintiff alleges that the Plaintiff has suffered financial damages due to the disagreement on the termination of the Plaintiff's employment contract and the Plaintiff has claimed damages in excess of JPY100,000,000 as executive compensation until the expiration of the Plaintiff's term of office. The first litigation date for the Case was held on 4 September 2023. There is a large gap in the assertions of both parties and a prolongation is expected for the Case.

The final total consideration for the Acquisition is subjected to adjust in the following manner. The Purchaser and the Vendors shall determine the costs of the pending litigation against the Target Company (the Case, Tokyo District Court 2023 (Wa) 70389, including related cases, if any (the "**Case(s)**")) within one month after final settlement or decision of the Case(s). Such costs of the litigation (the "**Litigation Costs**") shall include, but not be limited to, the amount paid to the plaintiff, court costs and attorneys' fees. Within one (1) month of the determination of the Litigation Costs, the payments will be made in accordance with the categories listed in each of the following items based on the amount of the Litigation Costs based on the following manners:

(i) when the Litigation Costs exceed JPY100,000,000, the Vendors shall pay the difference between the Litigation Costs and JPY100,000,000 to the Purchaser; or

(ii) when the Litigation Costs are less than JPY50,000,000, the Purchaser shall pay the difference between the Litigation Costs and JPY50,000,000 to the Target Company.

The JPY50,000,000 of negative financial impact of the Target Company in relation to the possible monetary compensation for the Case in the worst case scenario was based on the Director's assessment and has been already considered in the valuation to determine the share value on the Share Transfer Agreement.

While it has been specified as a cap of negative financial impact to avoid unlimited compensation of the Target Company.

THE SUBSCRIPTION FOR CONVERTIBLE BONDS

The initial conversion price

The initial conversion price of the Convertible Bonds is JPY215,575 per share of registered capital of the Target Company, subject to the customary adjustments in certain events including share consolidation, share sub-division, capitalisation issue, capital distribution and issue of other securities. Assuming the Acquisition is completed, the Convertible Bonds are being converted and there is no change in the total number of issued shares of the Target Company, the Group will obtain the control and hold approximately 51.0% of the enlarged total issued share capital of the Target Company and the Target Company became an indirect non-wholly owned subsidiary of the Company. Having considered the Group would obtain the control of the Target Company through the Acquisition together with the conversion of Convertible Bonds, the initial conversion price under the Subscription Agreement was therefore set at the same price as the Sale Share under Share Transfer Agreement, which has been mutually agreed between the Purchaser and the Vendors. The Directors are of the view that the consideration amount is fair and reasonable, as well as the consideration of Sale Share under the Share Transfer Agreement.

Under the Share Transfer Agreement, the total consideration of Sale Shares is JPY612,233,000 (equivalent to approximately HK$31,836,116) for acquiring 2,840 issued shares of the Target Company, representing JPY215,575 (equivalent to approximately HK$11,210) per issued share of the Target Company.

REASONS FOR AND BENEFIT OF THE SHARE TRANSFER AGREEMENT AND SUBSCRIPTION AGREEMENT

Having considered the following facts, (a) the clinical trials for Biosheet and Biotube of the Target Company which have been already initiated based on the careful review for the procedure by Pharmaceuticals and Medical Devices Agency of Japan (the "**PMDA**"); (b) those clinical trials are proceeding in good pace without any quality matters noted, and (c) Biotube has been already designated by PMDA as a world-first products and Biosheet is expected (now applying) to be designated by PMDA as a world-first products shortly, the Directors are of the view that those facts are the base of high expected innovation and the resources and innovative research technology controlled by the Target Company are of high quality.

The Directors are of the view the Acquisition will further improve the development of the Group's innovative research sector, which is in line with the overall development strategy of the Group, after considering the following, (a) there is affinity with existing pipelines, especially FEF Pharmaceutical Co., Ltd, being subsidiary of the Company, which is developing to focus on same target disease area of the Target Company; (b) the Target Company's innovative technology that is relatively simple and easy for potential investors and/or business partners to understand; (c) the Target Company's research technology is being with shorter duration for the development and earlier achievement to sales permit; (d) the Group can promote Biosheet and Biotube with our know how and resources; (e) there is relatively lower hurdles as regenerative medical products on safety, funding, technology, resources, equipment, etc; and (f) while it is a niche area of the Target Company's research technology, and if global expansion can be realised, there is a big market potential.

PROFIT FORECASTS UNDER THE VALUATION REPORT

According to the independent valuation report dated 29 September 2023 issued by the Valuer, the Valuer mainly applied the discounted cash flow method under the income approach and based on certain assumptions in the valuation to appraise the value of the Target Company, which constitutes a profit forecast under Rule 14.61 of the Listing Rules and the requirements of Rule 14.60A and 14.62 of the Listing Rules are therefore applicable.

Main Assumptions

In determining the market value of the equity interest in the Target Company, the Valuer based on the present value of the estimated future cash flows expected to be generated by the Target Company, including the cash flows from the operation of the Target Company during the forecast period and the terminal value. For the valuation (the "**Valuation**") of the market value of the entire equity interests in the Target Company, the Valuer has mainly adopted the income approach and the following valuation assumptions:

General Assumptions

1. *Transaction Assumption*

   The transaction assumption assumes that all assets to be appraised are already in the process of being transacted, and the Valuer simulates the market for appraisal according to the transaction conditions of the appraised assets. The transaction assumption is one of the most basic preconditional assumptions for the performance of an asset appraisal.

2. *Open Market Assumption*

   The open market assumption assumes that as for the subject assets transacted in the market, or the subject assets to be transacted in the market, both parties to the transaction have equal footings and have the opportunity and time to obtain sufficient market information, so as to make a rational judgment on the functions, use and transaction price of the subject assets. The open market assumption is based on the fact that the subject assets can be publicly traded in the market.

3. *Going-concern Assumption*

   The going-concern assumption refers to such an assumption that, the subject assets will continue to be used as per its current purpose and the manner, scale, frequency and environment of use, or continue to be used on the basis of certain change therein, and the Valuer determines the method, parameters and basis for appraisal accordingly.

Special Assumptions

1. During the forecast period, there will be no significant changes in the external economic environment, national macro-economy and industrial policies, trade policies and tax policies, in which the main operating entities of the Target Company are located.

2. There will be no significant changes in the future social and economic environment where the Target Company are located and the policies (such as tax policies and tax rates) that have been implemented where the Target Company are located.

3. There will be no major changes to the market environment and competitive relationship involved in/with the main business of the Target Group and its subsidiaries.

4. The future operation and management team of the Target Company will be diligent in their duties, maintain its core composition, continue to maintain the existing operation strategies and continue to operate the Target Company. The Target Company will maintain their business cooperation with their current suppliers and customers, and there will be no significant impact on the business development, cost control and other operating activities of the Target Company.

5. In view of the frequent changes or significant changes in a company's monetary funds or the bank deposits in the course of operation, as for the financial expenses under the valuation, the Valuer neither took into account the interest income generated by the deposits nor considered the uncertain gains or losses such as the exchange gains or losses.

6. It is assumed that the basic information and financial information provided by the Vendors and the Target Company are true, accurate and complete.

7. For bank borrowings, new borrowings and repayments in future periods will occur at the end of the period, and interest expenses on bank borrowings are estimated on the basis of the opening balance of borrowings in each period.

8. Under the income-based approach, the Valuer has adopted the discounted cash flow method to discount all future cash flows into present value, including the forecast cashflow for the five years ending 31 December 2028 and the terminal value as at 31 December 2028.

9. For the Valuation under the income-based approach, the assumptions adopted in the discounted cash flows included (a) the discount rate adopted to discount future cash flows was 36% under the venture capital rate method, which is shown in the guidance for the valuation of the start-up company, issued by Japanese Institute of Certified Public Accountants ("**JICPA**"), based on "Valuation practices for Start-up companies", Management Research Committee Research Report No. 70, issued by JICPA on March 16, 2023; (b) the estimated profit margin adopted to estimate future profit before tax based on estimated future revenue was approximately 12.6%, based on the "Calculation for new medicine price" with reference to "Central Social Insurance Medical Council (Japan) 2020"; (c) the effective tax rate adopted to estimate the income tax based on estimated future profit before tax was 30.62% with reference to the corporate standard tax rate of Japan; (d) the estimated sales of Biosheet would be made from December 2025 at the estimated unit price of approximately JPY1.7 million each; (e) the estimated annual sales of Biosheet ranged from over JPY6,000 million for the year ending 31 December 2026 to over JPY11,000 million for the year ending 31 December 2028, having considered (i) the number of diabetes patients in Japan; (ii) percentage of amputees to all diabetes patients; (iii) the percentage of diabetes patients in Japan would use Biosheet; and (iv) the estimated significant increase in market share for the three years ending 31 December 2028 based on the average ratio on the growth of sales in the initial period just after the launch of medical products in Japan; (f) the estimated sales of Biotube would be made from December 2025 at the estimated unit price of approximately JPY0.2 million each; (g) the estimated annual sales of Biotube ranged from over JPY1,200 million for the year ending 31 December 2026 to over JPY2,500 million for the year ending 31 December 2028, having considered (i) the number of peripheral

arterial occlusion disease ("**PAOD**") resident patients in Japan; (ii) percentage of fontaine classification III and IV to all PAOD patients; (iii) the percentage of PAOD patients would use Biotube; and (iv) the significant estimated increase in market share for the three years ending 31 December 2028 based on the average ratio on the growth of sales in the initial period just after the launch of medical products in Japan.

Based on the above preliminary quantitative analysis, it is estimated that the Group could enjoy the significant profit attributable from the Target Company since the Biosheet and Biotube generated revenue since December 2025. The clinical trials for Biosheet and Biotube are in progress and 25% progress of the clinical trials are expected to be completed by December 2023. The consideration of Sale Shares was determined between the parties after taking into consideration of the results of due diligence and valuation by independent lawyer and the independent Valuer and which is agreed upon as a result of discussions between the Purchaser and the Vendors. In light of this, the Board considered that, taking into account of the valuation assumptions, the terms of the Share Transfer Agreement are fair and reasonable.

THE SHAREHOLDING STRUCTURE OF THE TARGET COMPANY

The table below illustrates the shareholding structure of the Target Company as at the completion of Second Closing of Share Transfer Agreement and immediately upon full conversion of the Convertible Bonds of JPY150,000,000 (assuming there is no other change in the issued share capital and shareholding structure of the Target Company from the date of this announcement and up to the occurrence of the relevant events mentioned):

	As at the completion of Second Closing of Share Transfer Agreement		**Assuming full conversion of the principal amount of the Convertible Bonds (being JPY150,000,000)**	
	Number of shares	*Approximate %*	*Number of shares*	*Approximate %*
The Purchaser	2,840	45.5%	3,535	51.0
Other shareholders	3,397	54.5%	3,397	49.0
Total	6,237	100.0	6,932	100.0

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

Hong Kong, 18 December 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.