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EPS Creative Health Technology Group Limited

(Incorporated in the Cayman Islands with limited liability)

(HKEX Stock code: 3860)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 65% EQUITY INTEREST IN THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE AGREEMENT

On 28 March 2023 (after trading hours of the Stock Exchange), the Purchaser, an indirect wholly-owned subsidiary of the Company, as purchaser and the Vendor as vendor, entered into the Agreement pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to dispose of the Sale Interests, at the initial Consideration of HK\$56.16 million (subject to adjustment), and the Company has agreed to allot and issue the Consideration Shares under the General Mandate to set off against the Outstanding Sum. Following completion of the Acquisition, the Target Group will become an indirect 65% owned subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As all of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE AGREEMENT

On 28 March 2023 (after trading hours of the Stock Exchange), the Purchaser, an indirect wholly-owned subsidiary of the Company, as purchaser, the Vendor as vendor, and the Company entered into the Agreement pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to dispose of the Sale Interests, at the initial Consideration of HK\$56.16 million (subject to adjustment), and the Company has agreed to allot and issue the Consideration Shares under the General Mandate to set off against the Outstanding Sum.

The principal terms of the Agreement are summarised as follows:

Date : 28 March 2023

Parties : (1) EPS Healthcare Limited (創健商貿有限公司) as purchaser

(2) RIN Holding Co., Limited as vendor

(3) the Company as issuer

Subject matter

Subject to and upon the terms and conditions of the Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to dispose of the Sale Interests, representing 65% of the issued share capital in the Target Company, and the Company has agreed to allot and issue the Consideration Shares under the General Mandate to set off against the Outstanding Sum.

The Vendor is entitled to receive the retained net profits after tax of the Target Group up to 31 March 2023 by way of distribution of dividends before 30 June 2024, subject to the terms and conditions of the Agreement.

Consideration

The initial Consideration for the sale and purchase of the Sale Interests is HK\$56.16 million, subject to adjustment below, which shall be satisfied by the issue of the Promissory Note in the sum of HK\$56.16 million (subject to adjustment) by the Company to the Vendor on the Completion Date.

Adjustment

If the Actual Profit as shown in the Audit Certificate is less than the Target Profit, then the Consideration and the principal amount of the Promissory Note shall be adjusted downward by an amount calculated as follows upon the delivery of the Audit Certificate:

$$A = (\text{Target Profit} - \text{Actual Profit})/3 \times 4.8 \times 0.65$$

where A is the amount to be reduced in the Promissory Note to be settled by the Company pursuant to the terms of the Agreement.

If the Actual Profit is more than the Target Profit, then the Consideration and the principal amount of the Promissory Note shall be adjusted upward by an amount calculated as follows upon the delivery of the Audit Certificate, capped at HK\$43.84 million:

$$E = (\text{Actual Profit} - \text{Target Profit})/3 \times 4.8 \times 0.65$$

where E is the amount to be increased in the Consideration and the additional amount payable under the Promissory Note to be settled by the Company pursuant to the terms of the Agreement.

If the audited EBITDA of the Target Group calculated in accordance with the applicable financial reporting standards for the Period as shown in the Audit Certificate shows an amount of loss, then the payment obligations of the Company under the Promissory Note shall cease and the Target Group shall compensate the Company such amount of loss on a dollar-for-dollar basis.

As security for the performance of the obligations of the Vendor, the Vendor shall deposit the Promissory Note with the Purchaser upon completion of the Acquisition.

The initial Consideration was determined after arm's length negotiations between the parties to the Agreement with reference to the Target Profit and the price-earning ratio of 4.8 times, to be adjusted according to the Actual Profit of the Target Group.

Conditions precedent

Completion of the Acquisition shall be conditional upon and subject to:

- (a) the Purchaser being reasonably satisfied with the results of the due diligence review to be conducted in accordance with the terms of the Agreement;
- (b) all necessary consents, licences and approvals required to be obtained on the part of the Vendor and the Target Company in respect of this Agreement and the transactions contemplated hereunder having been obtained and remain in full force and effect;
- (c) all necessary consents, licences and approvals required to be obtained on the part of the Purchaser in respect of this Agreement and the transactions contemplated hereunder having been obtained and remain in full force and effect;
- (d) the Listing Committee of the Stock Exchange granting, and not having withdrawn or revoked up to completion of the Subscription, the listing of and permission to deal in the Consideration Shares; and

- (e) the representations and warranties given by the Vendor under the Agreement remaining true and accurate in all respects.

Completion of the Acquisition

Subject to the fulfillment (or waiver) of all the conditions precedent, the completion of the Acquisition shall take place on the Completion Date, being the third Business Day after the fulfillment of all the conditions precedent (or such other date as the parties to the Agreement may agree in writing).

Following completion of the Acquisition, the Target Group will become indirect 65% owned subsidiaries of the Company and their financial results, assets and liabilities will be consolidated into the books of the Company.

Capitalisation of the Outstanding Sum

Subject to the terms and conditions of the Agreement, and so long as the Company remains listed on the Stock Exchange as at the date of the delivery of the Audit Certificate or 15 July 2026, whichever is later, the Vendor shall subscribe for and the Company shall allot and issue the Consideration Shares at the Issue Price to the Vendor, credited as fully paid, to set off against the entire Outstanding Sum, upon completion of the Subscription.

Issue Price

The Issue Price is initially HK\$1 per Consideration Share of the Company, subject to adjustments below:

2024 Issue Price

If the average of the closing prices of the Shares of the Company as quoted from the Stock Exchange for the period of three (3) months from 1 January 2024 to 31 March 2024 is HK\$3 or more, the 2024 Issue Price shall be subject to adjustment, rounded off to 2 decimal points, based on the following formula:

$$2024 \text{ Issue Price} = \text{HK\$1} \times \frac{B}{\text{HK\$1} + B \times 2/3}$$

where B is the closing price of one Share as quoted by the Stock Exchange on 31 March 2024.

2025 Issue Price

If the average of the closing prices of the Shares of the Company as quoted from the Stock Exchange for the period of three (3) months from 1 January 2025 to 31 March 2025 is HK\$3 or more, the 2025 Issue Price shall be subject to adjustment, rounded off to 2 decimal points, based on the following formula:

$$2025 \text{ Issue Price} = \text{HK\$1} \times \frac{C}{\text{HK\$1} + C \times 2/3}$$

where C is the closing price of one Share as quoted by the Stock Exchange on 31 March 2025.

2026 Issue Price

If the average of the closing prices of the Shares of the Company as quoted from the Stock Exchange for 1 January 2026 to 31 March 2026 is HK\$3 or more, the 2026 Issue Price shall be subject to adjustment, rounded off to 2 decimal points, based on the following formula:

$$2026 \text{ Issue Price} = \text{HK\$1} \times \frac{D}{\text{HK\$1} + D \times 2/3}$$

where D is the closing price of one Share as quoted by the Stock Exchange on 30 June 2026.

The Issue Price per Consideration Share was arrived at after arm's length negotiations between the parties to the Agreement with reference to the recent trading performance of the Shares of the Company and the initial Issue Price of HK\$1 per Consideration Share represents:

- (i) a premium of approximately 5.26% over the closing price of HK\$0.95 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a premium of approximately 6.38% over the average closing price of HK\$0.94 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day (assuming there being no other change in the share capital of the Company).

Consideration Shares

Subject to the restrictions below, the number of Consideration Shares to be allotted and issued by the Company shall be calculated based on the following formula, rounded down to a whole figure, capped at 100,000,000:

$$\frac{1/3 \times \text{Outstanding Sum}}{2024 \text{ Issue Price}} + \frac{1/3 \times \text{Outstanding Sum}}{2025 \text{ Issue Price}} + \frac{1/3 \times \text{Outstanding Sum}}{2026 \text{ Issue Price}}$$

The number of Consideration Shares to be issued shall be subject to the following restrictions:

- (a) the maximum number of Consideration Shares to be issued is limited to 100,000,000;
- (b) the issue of the Consideration Shares shall not result in the Company failing to meet the minimum public float requirement under the Listing Rules;
- (c) if the number of Consideration Shares to be issued following the Subscription would result in the Company failing to meet the minimum public float requirement under the Listing Rules then, the number of Consideration Shares to be issued to the Vendor shall automatically be reduced to such maximum number that would result in the Company maintaining the minimum public float requirement under the Listing Rules immediately after the issuance;
- (d) the reduced number of Consideration Shares to be issued under (c) above multiplied by the 2026 Issue Price shall remain as an indebtedness of the Company under the Promissory Note which shall carry no interest, unsecured and become due in two years from the date of completion of the Subscription;
- (e) the Company shall be entitled to allot and issue such number of Consideration Shares at the 2026 Issue Price from time to time to settle the outstanding Promissory Note before its maturity date so long as the minimum public float requirement under the Listing Rules is maintained; and
- (f) any outstanding amount of Promissory Note upon its maturity date shall be settled by the Company in cash.

The maximum number of Consideration Shares which may be allotted and issued by the Company under the Agreement is 100,000,000 upon completion of the Subscription, representing:

- (i) 20% of the total number of Shares in issue as at the date of this announcement; and
- (ii) approximately 16.67% of the total number of Shares in issue as enlarged by the allotment and issue of the 100,000,000 Consideration Shares.

Ranking of the Consideration Shares

The Consideration Shares, when allotted and issued, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Consideration Shares.

General Mandate

At the annual general meeting of the Company held on 18 August 2022, the General Mandate was granted to the Directors, pursuant to which the Directors were authorised to allot and issue such Shares of not exceeding 20% of the aggregate number of issued Shares as at the date of the annual general meeting, being a maximum of 100,000,000 Shares. As at the date of this announcement, no Shares have been issued by the Company under the General Mandate. Accordingly, the allotment and issue of the Consideration Shares are not subject to the approval of the Shareholders.

Completion of the Subscription

The completion of the Subscription shall take place on the fifth Business Day (or such other date as the parties to the Agreement may agree) from the date of the delivery of the Audit Certificate or 15 July 2026, whichever is later.

If the Company is no longer listed or if there is any indication from the Stock Exchange that the Company may be delisted as at as at the date of the delivery of the Audit Certificate or 15 July 2026, whichever is later, the Outstanding Sum shall remain as debt owed by the Company to the Vendor and be repayable upon demand.

Application for listing

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

EQUITY FUND RAISING ACTIVITY IN THE TWELVE MONTHS IMMEDIATELY BEFORE THE DATE OF THIS ANNOUNCEMENT

The Company has not carried out any equity fund raising activity in the twelve months immediately prior to the date of this announcement.

CHANGES IN SHAREHOLDING STRUCTURE

The shareholding structure of the Company as at the date of this announcement and immediately upon the completion of the Subscription are set out below, for illustrative purposes only (assuming the maximum number of 100,000,000 Consideration Shares are allotted and issued and there is no other issue or repurchase of new Shares from the date of this announcement to the completion of the Subscription):

Shareholders	As at the date of this announcement		Immediately upon the allotment and issue of Consideration Shares	
	No. of Shares	approx. %	No. of Shares	approx. %
<i>Substantial shareholder</i>				
Mr. Yan Hao (“Mr. Yan”) (Note 1)	375,000,000	75%	375,000,000	62.5%
The Vendor (Note 2)	–	–	100,000,000	16.67%
<i>Public shareholder</i>				
Other public Shareholders	<u>125,000,000</u>	<u>25%</u>	<u>125,000,000</u>	<u>20.83%</u>
Total	<u><u>500,000,000</u></u>	<u><u>100%</u></u>	<u><u>600,000,000</u></u>	<u><u>100%</u></u>

Notes:

1. 375,000,000 Shares were held by EPS Holdings, Inc., which was owned as to 100% by Shinyou KK which is owned as to approximately 72.05% by Y&G Limited, 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 Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), Mr. Yan is deemed to be interested in 375,000,000 Shares of the Company.
2. The figures are provided for illustrative purposes only. The number of Consideration Shares to be issued to the Vendor is subject to the minimum public float requirement under the Listing Rules, if the said requirement will not be met following the issue, the number of Consideration Shares to be issued will be reduced and any outstanding amount of the Promissory Note upon its maturity date shall be settled by the Company in cash.

INFORMATION ON THE TARGET GROUP

The Target Company is a company established in Hong Kong incorporated in December 2022 and is principally engaged in investment holding. Immediately prior to the completion of the Acquisition, it was indirectly wholly owned by the Vendor.

As at the date of this announcement, the Target Company wholly owns Taiga Shenzhen, a company incorporated in the PRC which is principally engaged in sales of Japanese health food and brand operation. Save and except the investment in Taiga Shenzhen, the Target Company has no other revenue, asset and liabilities.

The unaudited financial information of Taiga Shenzhen from the date of incorporation on 23 February 2021 to 31 August 2021 and for the year ended 31 August 2022, respectively, is as follows:

	From the date of incorporation on 23 February 2021 to 31 August 2021		For the year ended 31 August 2022	
	<i>approximately</i> <i>RMB million</i>	<i>equivalent to</i> <i>approximately</i> <i>HK\$'million</i>	<i>approximately</i> <i>RMB million</i>	<i>equivalent to</i> <i>approximately</i> <i>HK\$'million</i>
Revenue	0.50	0.58	84.25	97.73
Net profit before taxation	0.07	0.08	6.86	7.96
Net profit after taxation	0.07	0.08	6.85	7.95

The unaudited net asset value of the Target Group as at 31 August 2022 was approximately RMB6.92 million (equivalent to approximately HK\$8.03 million).

INFORMATION ON THE VENDOR

To the best knowledge, information and belief of the Directors, the Vendor is a company established in Hong Kong and principally engaged in investment holding. The Vendor is ultimately controlled as to 95% by He Jun and as to 5% by Fang Mandi. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owners is an Independent Third Party.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

The Purchaser is a direct wholly-owned subsidiary of the Company and is principally engaged in investment holding. The Group is principally engaged in the provision of apparel supply chain management services selling knitwear apparel products to its customers in the garment segment and Japan-PRC specialised contract research organisation, innovative research organisation services, licensing and financing support and in-house drug discovery and development in the healthcare segment.

The Target Group is principally engaged in the sales of Japanese health food and brand operation. In addition, their sales channel covers approximately 60,000 shops in all parts of the PRC and they maintain two major warehouses in Shanghai and Shenzhen with a fully-fledged logistics and warehouse management system. Furthermore, the Target Company has an exclusive long-term supply agreement with a Japanese supplier, an Independent Third Party, for the supply of Japanese health food, which include Ryukakusan (龍角散) candy series, Shiroy Koibito (白之戀人), Ito En (伊藤園) products, Tokyo Banana (東京香蕉) and Ichiran (一蘭) Ramen etc. for up to 10 years. The Japanese supplier is controlled by He Jun, which will become a connected person at the subsidiary level upon the completion of the Acquisition. Upon the completion of the Acquisition, the supply agreement will constitute a continuing connected transaction for the Company within the meaning of Chapter 14A of

the Listing Rules. In terms of the export of products, the said Japanese supplier and Taiga Shenzhen have also an agency agreement, pursuant to which the said Japanese supplier has appointed Taiga Shenzhen as its agent for exporting its goods to overseas distributors.

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 Company considers that the adjustment mechanism in relation to the Consideration including the compensation arrangement in case of loss suffered by the Target Group as at the end of the Period effectively ensures the profitability of the Target Group and fairly protects the interests of the Company and the Shareholders as a whole. The price-earning ratio of 4.8 times taken into account in determining the Consideration is considered reasonable. Furthermore, the issuance of the Promissory Note as Consideration to be capitalised into Consideration Shares is not expected to involve the cash flow of the Group unless the capitalisation of the Promissory Note would result in the Company failing to meet the minimum public float requirement under the Listing Rules, then any outstanding amount of Promissory Note upon its maturity date would be settled by the Company in cash. The Directors consider that the terms of the Agreement (including the Consideration) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As all of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“2024 Issue Price”	the issue price of the Consideration Shares to set off the first one-third of the Outstanding Sum, being initially HK\$1 per Consideration Share, subject to adjustment
“2025 Issue Price”	the issue price of the Consideration Shares to set off the second one-third of the Outstanding Sum, being initially HK\$1 per Consideration Share, subject to adjustment

“2026 Issue Price”	the issue price of the Consideration Shares to set off the remaining one-third of the Outstanding Sum, being initially HK\$1 per Consideration Share, subject to adjustment
“Actual Profit”	the audited EBITDA of the Target Group calculated in accordance with the applicable financial reporting standards for the Period
“Acquisition”	the acquisition of the Sale Interests by the Purchaser pursuant to the terms and conditions of Agreement
“Agreement”	the sale and purchase agreement dated 28 March 2023 and entered into between the Purchaser, the Vendor and the Company in relation to the Acquisition
“Audit Certificate”	the certificate to be issued by the auditors of the Company to certify the amount of the audited EBITDA of the Target Group for the Period as calculated from such audited consolidated financial statements of the Target Group
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday and Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon) on which banks are open for business in Hong Kong
“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
“Completion Date”	the third Business Day after the fulfillment of all the conditions precedent
“Consideration”	initially HK\$56.16 million, subject to adjustment
“Consideration Share(s)”	new Shares to be issued by the Company at the Issue Price to set off the Outstanding Sum
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EBITDA”	profits before interest, taxes, depreciation and amortization

“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 18 August 2022 to allot, issue and deal with up to 20% of the total issued Shares as at the date of such annual general meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s) (if applicable) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Issue Price”	the issue price of the Consideration Shares, being initially HK\$1 per Consideration Share (subject to adjustments pursuant to the terms and conditions of the Agreement), and/or collectively the 2024 Issue Price, the 2025 Issue Price and the 2026 Issue Price, as the case may be
“Last Trading Day”	28 March 2023, being the last trading day of the Shares prior to the publication of this announcement
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Outstanding Sum”	the outstanding amount due by the Company under the Promissory Note (subject to adjustment) to be capitalised
“Period”	three financial years commencing from 1 April 2023 to 31 March 2026
“PRC”	the People’s Republic of China, which for the purposes of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Promissory Note”	the interest-free promissory note for the principal amount of HK\$56,160,000 (subject to adjustment and capitalisation), to be issued by the Company to the Vendor for the purpose of settling the Consideration of the Sale Interests and to be pledged to the Purchaser as a security for the performance of the obligations of the Vendor
“Purchaser”	EPS Healthcare Limited (創健商貿有限公司), a company established in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interests”	65% of the issued share capital in the Target Company
“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
“Subscription”	the subscription by the Vendor for the Consideration Shares at the Issue Price
“Taiga Shenzhen”	Taiga SCM (Shenzhen) Co., Ltd* (大河供應鏈管理(深圳)公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Target Company
“Target Company”	R&E Corporation Limited, a company established in Hong Kong with limited liability
“Target Group”	the Target Company and Taiga Shenzhen
“Target Profit”	EBITDA of HK\$54,000,000 for the Period
“Vendor”	RIN Holding Co., Limited, a company incorporated in Hong Kong with limited liability
“%”	per cent.

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

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.16. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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

Hong Kong, 28 March 2023

As at the date of this announcement, the executive Directors are Mr. Okoso Satoshi, Mr. Miyano Tsumoru, Mr. Gao Feng, Mr. Haribayashi Keikyo and Mr. Maezaki Masahiro; the non-executive Director is Mr. Xia Xiangming; and the independent non-executive Directors are Mr. Taguchi Junichi, Mr. Choi Koon Ming and Mr. Chan Cheuk Ho.