



# EPS Creative Health Technology Group Limited

(Incorporated in the Cayman Islands with limited liability)

(HKEX Stock code: 3860)



2021/2022  
ANNUAL REPORT

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Gao Feng (*Chief executive officer*)  
Mr. Haribayashi Keikyo

### Non-executive Directors

Mr. Okoso Satoshi (*Chairman*)  
Mr. Liang Fei

### Independent non-executive Directors

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

## COMPANY SECRETARY

Mr. Chiu Chun Tak

## COMPLIANCE OFFICER

Mr. Chiu Chun Tak

## AUTHORISE REPRESENTATIVES

Mr. Gao Feng  
Mr. Chiu Chun Tak

## AUDIT COMMITTEE

Mr. Chan Cheuk Ho (*Chairman*)  
Mr. Choi Koon Ming  
Mr. Liang Fei

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

Mr. Taguchi Junichi (*Chairman*)  
Mr. Gao Feng  
Mr. Chan Cheuk Ho

## AUDITOR

KPMG  
Certified Public Accountants  
Public Interest Entity Auditor registered in accordance  
with the Financial Reporting Council Ordinance  
8th Floor, Prince's Building, 10 Chater Road, Central, Hong  
Kong .

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## LEGAL ADVISERS AS TO HONG KONG LAW

Michael Li & Co

## PRINCIPAL BANKERS

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

## COMPANY'S WEBSITE

[www.epshk.hk](http://www.epshk.hk)

## STOCK CODE

3860

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of EPS Creative Health Technology Group Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2022.

### BUSINESS OVERVIEW

The global economy was gradually recovering from the outbreak of the COVID-19 pandemic during the Reporting Period. The overall apparel retail markets including the United States of America (the "**USA**") and Japan remained stable. As the management of the Group implemented various measures to tackle the tough and challenging business environment, we recorded that revenue and profit from the apparel supply chain management services for the year ended 31 March 2022 increased by approximately 4.7% and 45.4%, respectively, as compared to the year ended 31 March 2021.

The Group has been preparing for the full operation of both the development of new drugs services and healthcare and medical consultancy services during the reporting period. Revenue from these segments were immaterial at this stage.

### PROSPECTS

With the popularization of vaccination and the current fiscal and monetary policies in various countries, the apparel supply chain management services growth is expected to be driven by rising disposable income, growing retail value of apparel both in the Japan and USA and global economic recovery. The Group is cautiously optimistic about its prospects and invests in product design and development, including the development of healthcare apparel products in line with its commitment to promoting healthy lifestyle.

Looking ahead, the Group has responded to customer needs amid structural changes in the market and increasingly rigorous and complex drug development and therefore broadened the scope of services from pharmaceuticals to medical devices, diagnostic drugs, and health foods to the healthcare industry as a whole. We will build up the pharmaceutical products business with a focus on the People's Republic of China (the "**PRC**"). As a result of the paradigm shift to drug discovery technologies, academic institutions and bio-ventures in the PRC, the Group looks for solution ranging from developing and manufacturing to distributing pharmaceuticals and medical devices and become a solutions company for the entire healthcare industry in the PRC.

### APPRECIATION

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

**EPS Creative Health Technology Group Limited**

**Okoso Satoshi**

*Chairman and non-executive Director*

Hong Kong, 29 June 2022

# MANAGEMENT DISCUSSION AND ANALYSIS

## INTRODUCTION

The Group is an apparel supply chain management services provider. 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 and logistics services. The Group's customers are mainly owners or sourcing agents of apparel retail brands based in Japan and 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 outsource the whole manufacturing process to third-party manufacturers with manufacturing operations located in the PRC, Thailand and/or Cambodia.

The Group has set up three Japan subsidiaries (namely, EPD株式会社, FEF創薬株式会社 and EPS創薬株式会社) during the year, which are principally engaged in providing the development of new drugs services and Innovative Research Organization ("IRO") and medical consultancy services accordingly.

## BUSINESS REVIEW

### Apparel supply chain management services

During the reporting year, having faced the complex and adverse trading environment and the widespread impact of COVID-19 pandemic, the retail markets for apparel including the USA and Japan where the major customers of the Group are located continue to be affected. However, the Group's products have recorded an increase in revenue for the reporting year, which was mainly attributable to the increase in purchase orders from a major customer headquartered in the USA. Further, the Group plans to expand its sales office in Japan in order to better serve its existing Japanese customers and solicit potential new middle to high end fashion brands customers.

The Group recorded revenue of approximately HK\$424.7 million for the reporting year, representing an increase of approximately 4.7% as compared to approximately HK\$405.4 million for the year ended 31 March 2021. The Group's gross profit for the reporting year amounted to approximately HK\$62.5 million (for the year ended 31 March 2021: approximately HK\$54.0 million). The increase in gross profit of the Group was primarily attributable to the increase in the purchase orders from a major customer headquartered in the USA.

### Healthcare services

The Group has established a drug discovery company in October 2021. Since November 2021, the Group has been preparing for the full operation such preparation work included rental of offices, hiring of relevant personnels and organisation of events and trainings. Another subsidiary of the Company has received licensing rights to begin developing new drugs as a new initiative and thus incurred certain labor costs and licence acquisition costs. The Group has been focusing on the initiatives of (i) clinical application of brown adipose cells in regenerative medicine (such as obesity and beauty treatments); (ii) exploration of brown adipocyte induction technology to promote browning components i.e. screening technology (prevention of diseases such as obesity and diabetes and development of functional foods); and (iii) research and development of treatment drugs for Parkinson's disease (such as development and sales of cannabidiol and cannabigerol related products) and exploring collaboration opportunities with other research institutions.

During the reporting year, the Group commenced the establishment of a new cross-border pharmaceutical research and development trustee organization (referred to as IRO, Innovative Research Organization) which focuses on IRO between China and Japan (including traditional Contract research organization (CRO) business) and Chemistry, Manufacturing and Controls (CMC) Drug Affairs Application. In addition, the Group has entered into a basic agreement on business alliance with Immunomedicine, Inc. to obtain exclusive licence to its drug-resistant tuberculosis patents in the future and the Group has promoted the research and development of drugs for the treatment of peripheral arterial diseases and obtain exclusive rights to implement patents related to this research and development.

### Performance review

The Group's total comprehensive income attributable to owners of the Company was approximately HK\$(17.8) million for the reporting year (for the year ended 31 March 2021, the total comprehensive income attributable to owners of the Company was approximately HK\$6.6 million). The loss is mainly attributable to (i) the research and related administrative expenses incurred in relation to the new drug development projects of approximately HK\$13.6 million; and (ii) the expenses incurred by the Company of approximately HK\$1.4 million in response to the unconditional mandatory cash offer as a result of the change of control of the Company disclosed in the Company's announcement dated 5 May 2021.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue from Garment segment

The Group's knitwear products are divided into four categories, namely womenswear products, menswear products, kidswear products and other products including but not limited to knitted facial masks, hats and mufflers. During the year ended 31 March 2022, the Group's revenue was mainly derived from the sales of womenswear products, which accounted for approximately 76.2% (for the year ended 31 March 2021: approximately 77.7%) of the Group's total revenue for the year ended 31 March 2022. The following table sets out a breakdown of the Group's revenue by product category for each of the two years ended 31 March 2022:

	Year ended 31 March				
	2022		2021		Rate of change
	HK\$'000	%	HK\$'000	%	%
Womenswear	323,635	76.2	314,901	77.7	2.8
Menswear	61,875	14.6	64,418	15.9	(3.9)
Kidswear	39,128	9.2	21,893	5.4	78.7
Others	–	–	4,233	1.0	(100)
Total revenue	424,638	100	405,445	100	4.7

During the year ended 31 March 2022, the sales volume of the Group amounted to approximately 5.8 million pieces (for the year ended 31 March 2021: approximately 6.5 million pieces) of finished knitwear products. Set out below are the total sales quantity of each product category for each of the two years ended 31 March 2022:

	Year ended 31 March				
	2022		2021		Rate of change
	Pieces ('000)	%	Pieces ('000)	%	%
Womenswear	4,132	71.6	4,896	74.9	(15.6)
Menswear	964	16.7	1,113	17.0	(13.4)
Kidswear	673	11.7	393	6.0	71.2
Others	–	–	139	2.1	(100)
Total sales quantity	5,769	100	6,541	100	(11.8)

The selling price of each of the product category depends primarily on, among other things, (i) the complexity of the product design; (ii) the size of an order; (iii) the delivery schedule set out by customers; (iv) the costs of raw materials; and (v) the production costs as quoted by the third-party manufacturers. Accordingly, the selling price of the Group's products may differ considerably in different purchase orders by different customers. Set out below are the average selling prices per piece of finished product sold by the Group by product category for each of the two years ended 31 March 2022:

	Year ended 31 March		
	2022 Average selling price <sup>(Note)</sup> HK\$	2021 Average selling Price <sup>(Note)</sup> HK\$	Rate of change %
Womenswear	78.3	64.3	21.8
Menswear	64.2	57.9	10.9
Kidswear	58.1	55.7	4.3
Others	–	30.5	(100)
Overall average selling price per piece	73.6	62.0	18.7

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

The Group's revenue increased by approximately 4.7%, or approximately HK\$19.2 million, from approximately HK\$405.4 million for the year ended 31 March 2021 to approximately HK\$424.6 million for the year ended 31 March 2022. The increase in revenue was primarily attributable to the substantial increase in purchase orders of the Group from a major customer headquartered in the USA.

## Womenswear

During the year ended 31 March 2022, the Group's revenue from the garment segment was mainly derived from the sales of womenswear products. Revenue derived from the sales of womenswear products increased by approximately HK\$8.7 million or 2.8%, from approximately HK\$314.9 million for the year ended 31 March 2021 to approximately HK\$323.6 million for the year ended 31 March 2022. Such increase was mainly attributable to the increase in average selling price per piece of womenswear products from approximately HK\$64.3 for the year ended 31 March 2021 to approximately HK\$78.3 for the year ended 31 March 2022, which outweighed the decrease in sales quantity from approximately 4.9 million pieces for the year ended 31 March 2021 to approximately 4.1 million pieces for the year ended 31 March 2022.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **Menswear**

The Group's revenue derived from the sales of menswear products decreased by approximately HK\$2.5 million or 3.9% from approximately HK\$64.4 million for the year ended 31 March 2021 to approximately HK\$61.9 million for the year ended 31 March 2022. Such decrease was mainly attributable to the decrease in sales quantity from approximately 1.1 million pieces for the year ended 31 March 2021 to approximately 1.0 million pieces for the year ended 31 March 2022, which outweighed an increase in average selling price per piece of menswear products from approximately HK\$57.9 for the year ended 31 March 2021 to approximately HK\$64.2 for the year ended 31 March 2022.

### **Kidswear**

Revenue derived from the sales of kidswear products of the Group increased significantly by approximately HK\$17.2 million or 78.7% to approximately HK\$39.1 million for the year ended 31 March 2022 from approximately HK\$21.9 million for the year ended 31 March 2021. The significant increase in the revenue of the Group's kidswear products was mainly attributable to the increase in sales volume of the Group's kidswear products from approximately 0.4 million pieces for the year ended 31 March 2021 to approximately 0.7 million pieces for the year ended 31 March 2022 coupled with the increase in average selling price per piece of the kidswear products from approximately HK\$55.7 for the year ended 31 March 2021 to approximately HK\$58.1 for the year ended 31 March 2022.

### **Others**

During the year ended 31 March 2022, the revenue derived from other products including but not limited to knitted facial masks, hats and mufflers is HK\$Nil (for the year ended 31 March 2021: HK\$4.2 million).

### **Revenue from Healthcare segment**

The Group recorded revenue from the provision of healthcare services of approximately HK\$18,000 for the reporting year.

### **Cost of sales**

The Group's cost of sales primarily consists of subcontracting charges, raw materials and consumable used, inspection fee and other processing charges. The cost of sales increased to approximately HK\$362.1 million for the year ended 31 March 2022 from approximately HK\$351.4 million for the year ended 31 March 2021, representing an increase of approximately 3.0%. The increase of the Group's cost of sales was in line with the increase in the Group's revenue of approximately 4.7% for the year ended 31 March 2022.

### **Gross profit and gross profit margins**

The Group's gross profit increased to approximately HK\$62.6 million for the year ended 31 March 2022 from approximately HK\$54.0 million for the year ended 31 March 2021, representing an increase of approximately 15.8%. The increase in gross profit of the Group was primarily attributable to the increase in purchase orders from a major customer headquartered in the USA as a result of the status of the COVID-19 pandemic being relatively stable overall in the USA. The Group's gross profit margin increased to approximately 14.7% for the year ended 31 March 2022 from approximately 13.3% for the year ended 31 March 2021. Such increase in the Group's gross profit margin was mainly attributable to the increase in average selling price per piece of the overall products for the year ended 31 March 2022.

### **Interest income**

The Group's interest income decreased by approximately HK\$165,000 or 87.8% from approximately HK\$188,000 for the year ended 31 March 2021 to approximately HK\$23,000 for the year ended 31 March 2022.

### **Other (loss)/income**

Other (loss)/income mainly consists of sample sales income, exchange loss and fair value loss on financial assets at fair value through profit or loss. Other income decreased by approximately HK\$3.1 million for the year ended 31 March 2022 from approximately HK\$1.3 million for the year ended 31 March 2021. The decrease in other income of the Group was primarily attributable to a non-recurring government grant of approximately HK\$2.7 million received from the Hong Kong Government under employment support scheme during the year ended 31 March 2021.

### **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\$31.5 million for the year ended 31 March 2022 from approximately HK\$28.3 million for the year ended 31 March 2021, representing an increase of approximately 11.4%. Such increase was mainly attributable to the increase in (i) sample costs; (ii) commission expenses; and (iii) logistic expenses, as higher freight charges were imposed by major shipping companies due to the disruption of the normal freight schedule as a result of the COVID-19 pandemic during the year ended 31 March 2022.

### **Administrative expenses**

Administrative expenses primarily consist of audit fees, bank charges, depreciation, directors' emoluments, entertainment, legal and professional fees, office expenses, overseas and local travelling, rent and rates, staff costs and benefits of general and administrative staff. Administrative expenses increased to approximately HK\$41.4 million for the year ended 31 March 2022 from approximately HK\$20.0 million for the year ended 31 March 2021, representing a significant increase of approximately 106.7%. Such increase was mainly attributable to the increase in (i) staff costs and benefits of general and administrative staff; (ii) overseas and local travelling; (iii) research and related administrative expenses for new drug development; and (iv) professional fees in relation to the unconditional mandatory cash offer of the Company as disclosed in the Company's announcement dated 5 May 2021.

### **Research and related administrative expenses for healthcare services**

Research and related administrative expenses for healthcare services amounted to approximately HK\$13.6 million for the year ended 31 March 2022 and there were no such expenses for the year ended 31 March 2021. Such expenses were mainly attributable to development of the two new drug development projects.

### **Professional fees in relation to the unconditional mandatory cash offer**

Professional fees in relation to the unconditional mandatory cash offer as disclosed in the Company's announcement dated 5 May 2021 amounted to approximately HK\$1.4 million for the year ended 31 March 2022 and there was no such expenses for the year ended 31 March 2021.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Finance costs

Finance costs increased to approximately HK\$4.6 million for the year ended 31 March 2022 from approximately HK\$136,000 for the year ended 31 March 2021. Such increase was mainly attributable to interest effect on new borrowings from a related party.

## Total comprehensive income attributable to owners of the Company

Total comprehensive income attributable to owners of the Company amounted to approximately HK\$(17.8) million for the year ended 31 March 2022 and total comprehensive income attributable to owners of the Company amounted to approximately HK\$6.6 million for the year ended 31 March 2021, representing a decrease of approximately HK\$24.4 million.

If the non-recurring government grants received from the Hong Kong Government under employment support scheme of approximately HK\$2.7 million for the year ended 31 March 2021 were excluded, the Group's adjusted total comprehensive income attributable to owners of the Company for the year ended 31 March 2021 would amount to approximately HK\$3.9 million and if the professional fee in relation to the unconditional mandatory cash offer of approximately HK\$1.4 million and research and related administrative expenses for new drug development projects amounted to approximately HK\$13.6 million for the year ended 31 March 2022 were excluded, the Group's adjusted total comprehensive income attributable to owners of the Company for the year ended 31 March 2022 would amount to approximately HK\$(2.8) million, which have been decreased significantly by approximately 171.8% as compared to the total comprehensive income attributable to owners of the Company for the year ended 31 March 2021 of approximately HK\$3.9 million.

## BASIC (LOSS)/EARNINGS PER SHARE

The Company's basic loss per share for the year ended 31 March 2022 was approximately HK3.5 cents, as compared to the basic earnings per share of approximately HK1.3 cents for the year ended 31 March 2021. The significant change in the Company's basic loss per share for the year ended 31 March 2022 was a result of the loss attributable to owners of the Company for the year ended 31 March 2022.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2022 (for the year ended 31 March 2021: Nil).

## LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 March 2022, the Group's operations were generally financed through its internally generated cash flows and borrowings from banks. The Directors believe that in the long term, the Group's operations will be funded by a combination of internally generated cash flows and bank borrowings and, if necessary, additional equity financing.

As at 31 March 2022 and 2021, the Group had net current assets of approximately HK\$190.9 million and HK\$129.1 million, respectively, including cash and cash equivalents of approximately HK\$198.0 million and HK\$85.2 million, respectively. The Group's current ratio decreased from approximately 8.2 as at 31 March 2021 to approximately 5.0 as at 31 March 2022. Such decrease was mainly due to current assets increased by approximately 62.5% whilst current liabilities increased significantly by approximately 167.2% as compared to the balances as at 31 March 2021. The significant increase in current liabilities was mainly attributable to the increase in (i) trade and others payables; and (ii) amount due to a related party.

Gearing ratio is calculated based on the total loans and borrowings (including bank borrowings due within one year and lease liabilities) divided by total equity at the respective reporting date. As at 31 March 2022 and 2021, the Group's gearing ratio was 0.96 and 0.13, respectively. The Group did not enter into any new banking facility agreement in 2022 (2021: two banking facilities agreements with an aggregate principal amount of up to HK\$53,400,000). The Group's rate of unutilised banking facilities was 99.0% as at 31 March 2021. The Group's financial position is sound and strong. With available cash and cash equivalents, the Group has sufficient liquidity to satisfy its funding requirements. As at 31 March 2022, the Group's bank and other borrowings are denominated in Hong Kong dollars.

### 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 cash flows.

## MANAGEMENT DISCUSSION AND ANALYSIS

### MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

During the year ended 31 March 2022, the Group did not have any significant acquisitions or disposals of subsidiaries, associates or joint ventures nor had any significant investment with a value of 5% or more of the Company's total assets.

### FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save for the investment in the joint development of certain biotech product as disclosed in the paragraph headed "Events After the Reporting Period", the Group currently has no other plan for material investments and capital assets.

### CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2022 (as at 31 March 2021: HK\$Nil).

### CAPITAL COMMITMENT

The Group's capital commitment as at 31 March 2022 amounted to JPY50 million (equivalent to approximately HK\$3.2 million) which were mainly related to the investment in a limited partnership (as at 31 March 2021: HK\$Nil).

### 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\$, which is the functional currency of the Company, as HK\$ is pegged to US\$, the Group does not expect any significant movement in the US\$/HK\$ exchange rate. 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 should the need arise.

### PLEDGE OF ASSETS

At the end of each of the below reporting years, the following assets were pledged to banks to secure certain banking facilities granted to the Group:

	As at 31 March	
	2022	2021
	HK\$'000	HK\$'000
Pledged bank deposit	–	8,137

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2022, the Group employed a total of 70 full-time employees (as at 31 March 2021: 59). The Group's staff costs mainly included Directors' emoluments, salaries, other staff benefits and contributions to retirement schemes. For the years ended 31 March 2022 and 2021, the Group's total staff costs (including Directors' emoluments) amounted to approximately HK\$27.7 million and HK\$21.2 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 a basic salary, year-end bonuses would be discretionarily offered to those employees with outstanding performance to attract and retain employees that contribute to the Group. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

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

### COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 March 2022, the Group mainly carried out its businesses in Hong Kong and the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied with all relevant laws and regulations in Hong Kong and the PRC.

### ENVIRONMENTAL POLICY

The Group aims to protect the environment by minimising environmental adverse impacts in daily operations, such as energy saving and recycling of office resources. The Group will continue to seek better environmental practices and promote the right environmental attitudes within the organisation. The Group has complied with all relevant laws, rules and regulations regarding environmental protection, health and safety, workplace conditions and employment during the year ended 31 March 2022.

### RELATIONSHIPS WITH STAKEHOLDERS

The Group recognises employees as one of the valuable assets of the Group and the Group strictly complies with the labour laws, rules and regulations in Hong Kong and reviews regularly the existing staff benefits for improvement. Apart from the reasonable remuneration packages, the Group also offers other employee benefits, such as medical insurance, birthday leave to the eligible employees, etc. The Group works closely with its customers in devising new product designs each season and delivering knitwear products according to their requirements. The Group had maintained business relationships with its five largest customers for a period ranging from 2 to 13 years. Over the years, the Directors believe that the Group has fostered a trustworthy and reliable strategic partnership with its customers built upon its proven track record of quality products, industry and product know-how, market awareness, dedicated management team and competitive pricing. The Group has also established stable, close working and long-term relationships with its suppliers. During the year, there was no material dispute or disagreement between the employees, the customers and the suppliers of the Group.

### FUTURE PROSPECTS

With the popularisation of vaccination and the current fiscal and monetary policies in various countries, the apparel supply chain management services growth is expected to be driven by rising disposable income, growing retail value of apparel both in Japan and the USA and global economic recovery. The Group is cautiously optimistic about its prospects and invests in product design and development, including the development of healthcare apparel products in line with its commitment to promoting a healthy lifestyle.

The Group has responded to customer needs amid structural changes in the market and increasingly rigorous and complex drug development and therefore broadened the scope of services from pharmaceuticals to medical devices, diagnostic drugs, and health foods to the healthcare industry as a whole. We will build up the pharmaceutical products business with a focus on the PRC. Regarding the healthcare industry, the business environment is now undergoing major changes in step with accelerating digital transformation (DX), such as virtual clinical trials, Big Data, and the use of artificial intelligence for providing medical information. Going forward, as a result of the paradigm shift to drug discovery technologies, academic institutions and bio-ventures in the PRC, the Group looks for solution ranging from developing and manufacturing to distributing pharmaceuticals and medical devices and become a solutions company for the entire healthcare industry in the PRC.

The Directors will continue to review and evaluate the business objectives and strategies and make timely execution taking into account the business risks and market uncertainties. The Directors will also continue to explore opportunities to diversify the Group's operations.

### EXECUTIVE DIRECTORS

**Mr. Gao Feng (高峰) (“Mr. Gao”)**, aged 55, was appointed as an executive Director with effect from 1 June 2021. He has been appointed as the Chief Executive Officer, a LR Authorised Representative and a CO Authorised Representative, all with effect from 30 June 2021. Mr. Gao holds a bachelor of science degree from Peking University. Mr. Gao has extensive experience in corporate planning and management of enterprises in the PRC and had held senior management positions in several multinational technology companies in the PRC. Mr. Gao is the sole director of two wholly-owned subsidiaries of the Company.

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

**Mr. Haribayashi Keikyo (張林慶橋) (“Mr. Hari”)**, aged 54, was appointed as an executive Director with effect from 1 June 2021 and is the manager of finance office of the finance & accounting department of EPS Holdings, Inc. (“EPS”), a company incorporated in Japan on 30 May 1991 with limited liability, the shares of which are listed on the Tokyo Stock Exchange (stock code: 4282.T) and is interested in 375,000,000 shares of the Company as at the date of this annual report. Mr. Hari holds a bachelor’s degree in accountancy from Fuzhou University in the PRC and a master degree in business administration from Yokohama National University in Japan. Prior to joining EPS, Mr. Hari has over 20 years’ extensive experience by working in an international audit firm and other Japanese companies.

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

### NON-EXECUTIVE DIRECTORS

**Mr. Okoso Satoshi (大社聡) (“Mr. Okoso”)**, aged 63, was appointed as a non-executive Director with effect from 1 June 2021. Mr. Okoso is an executive officer of EPS and has over 35 years of experience in clinical research, pharmacoepidemiology and healthcare industry. Mr. Okoso joined EPS in 2015 and prior to joining EPS, Mr. Okoso worked and held senior management positions at several clinical research and pharmaceutical companies in Japan. Mr. Okoso graduated from Graduate School of Medicine and Faculty of Medicine of the University of Tokyo specialising in pharmacoepidemiology.

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

**Mr. Liang Fei (梁非) (“Mr. Liang”)**, aged 47, was appointed as a non-executive Director with effect from 1 June 2021 and started working in EPS since 2004. Mr. Liang is the chairman and the general manager of a non-wholly owned subsidiary of EPS. Mr. Liang obtained a bachelor’s degree from Southeast University with major in information science and engineering in the PRC, a master’s degree in information engineering from Chiba University in Japan and an executive master of business administration degree from China Europe International Business School. Before joining EPS, Mr. Liang worked for several Japanese technology companies.

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



### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Taguchi Junichi (田口淳一) (“Mr. Taguchi”)**, aged 63, was appointed as an independent non-executive Director with effect from 30 June 2021 and is responsible for providing independent judgment on the Group’s strategy, performance, resources and standard of conduct. He is the chairman of the nomination committee of the Company. Mr. Taguchi obtained a bachelor’s degree in Faculty of Medicine of University of Tokyo and a doctorate of medicine and of philosophy from the University of Tokyo.

Mr. Taguchi has extensive experience in the fields of specialising in general medicine, clinical genetics (multifactorial disorder, familial tumor), circulatory medicine (ischemic heart disease, atherosclerosis, hypertension, cardiac rehabilitation) and clinical oncology (clinical cancer immunity) for over 30 years and has held senior positions in several renowned medical institutions in Japan. Mr. Taguchi is the president of Tokyo Midtown Clinic. In addition, Mr. Taguchi has been employed as a visiting professor of the Tokyo Medical University since 2014.

Mr. Taguchi has also been appointed as an outside director of Cancer Intelligence Care Systems, Inc. since 2020, and has been an outside director and independent director of EPS since 20 December 2019. As at the date of this announcement, EPS is the controlling Shareholder, which is interested in 375,000,000 Shares, representing 75% of the entire issued share capital of the Company.

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

**Mr. Choi Koon Ming (蔡冠明) (“Mr. Choi”)**, aged 54, was appointed as an independent non-executive Director with effect from 30 June 2021 and is responsible for providing independent judgment on the Group’s strategy, performance, resources and standard of conduct. He is the chairman of the remuneration committee and a member of the audit committee of the Company. Mr. Choi holds a Bachelor of Arts degree from the University of British Columbia and has over 25 years of experience in the financing activities of corporate and property mortgage, real estate development and property investment.

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

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

**Mr. Chan Cheuk Ho (陳卓豪) ("Mr. Chan")**, aged 55, was appointed as an independent non-executive Director with effect from 9 July 2021 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is the chairman of the audit committee and a member of both the remuneration committee and the nomination committee of the Company. Obtained a bachelor's degree in business administration from the Chinese University of Hong Kong in 1989 and a master's degree in business administration from the University of Manchester in 2003. Mr. Chan has been a fellow member of the Hong Kong Institute of Certified Public Accountants since 2003.

In the past 20 years, Mr. Chan has been the finance director, financial controller and company secretary of several companies listed on the Main Board of the Stock Exchange. He has been (i) an independent non-executive director of Eagle Nice (International) Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2368) since November 2002; (ii) an independent non-executive director of Wai Chun Bio-Technology Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 660) since November 2020; and (iii) an independent non-executive director of Wai Chun Group Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1013) since March 2022. He has also been the company secretary of Pine Technology Holdings Limited and SuperRobotics Holdings Limited (the issued shares of which are listed on the GEM of the Stock Exchange (stock code: 8176)) since July 2017 and May 2022 respectively. He was previously an executive director of Pine Technology Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1079) from June 2017 to May 2022.

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

### SENIOR MANAGEMENT

**Mr. Chiu Chun Tak (趙俊德) ("Mr. Chiu")**, aged 58, has been appointed as the Company Secretary, a LR Authorised Representative, a CO Authorised Representative and the Compliance Officer, all with effect from 30 June 2021.

Mr. Chiu graduated from the Hong Kong Polytechnic University majoring in accounting. He has over 30 years of experience in overseeing accounting, auditing, corporate finance, merger and acquisition, taxation and company secretarial business. He is a Hong Kong practicing CPA and a fellow member of Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Mr. Chiu was the founder of C.T. Chiu & Co., CPA and has also worked in a multinational company.

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

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Chan Wing Kai (陳永啟) (“Mr. Chan”)**, aged 53, joined the Group in November 2015, current as a director and the chief executive officer of the Group’s garment business. He was responsible for the operation and management of the Group’s garment business since he joined the Group. Mr. Chan completed his secondary education in Hong Kong in 1987. He obtained a Level 1 certificate of the Japanese Language Proficiency Test in February 1990. He completed a course entitled “Professional certificate in business management” co-organised by Li Ka Shing Institute of Professional and Continuing Education, The Open University of Hong Kong and ET Business College in November 2008. Mr. Chan has more than 29 years of sales and merchandising experience in the apparel industry. Prior to joining the Group, he had been employed by South Overseas Fashion Limited from March 1990 to March 1995 and he was dispatched to Yamaichi Nitto Company Limited in Japan for on-the-job training from March 1993 to February 1994. He then worked for a knitwear manufacturing company, a subsidiary of South Asia Textiles (Holdings) Limited from 1995 to 2000.

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

### CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the year ended 31 March 2022. The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of Shareholders and other stakeholders of the Company.

During the reporting period, the Group has complied with all the code provisions of the CG Code save as the deviation from the code provision A.2.1 of the CG Code for the period from 1 April 2021 to 30 June 2021, where a former executive Director was the chairman of the Board and the chief executive officer of the Company. The then Directors considered such arrangement was beneficial to the management and the business developments of the Group as he had been managing the Group's business and supervising the overall operations of the Group since 2001. After his departure from the Board, the roles of the chairman of the Board and the chief executive officer of the Company have been vested in two Directors, namely Mr. Okoso Satoshi and Mr. Gao Feng, respectively, since 30 June 2021, in compliance with code provision A.2.1.

### MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by the Directors. Having been made specific enquiry by the Company, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct concerning securities transactions by the Directors for the year ended 31 March 2022.

## BOARD OF DIRECTORS

### Composition of the Board

Currently, the Board comprises:

#### **Executive Directors**

Mr. Gao Feng (*Chief executive officer*)

(appointed on 1 June 2021 and appointed as Chief executive officer on 30 June 2021)

Mr. Haribayashi Keikyo (*appointed on 1 June 2021*)

#### **Non-executive Directors**

Mr. Okoso Satoshi (Chairman)

(appointed on 1 June 2021 and appointed as Chairman on 30 June 2021)

Mr. Liang Fei (appointed on 1 June 2021)

#### **Independent non-executive Directors**

Mr. Taguchi Junichi (appointed on 30 June 2021)

Mr. Choi Koon Ming (appointed on 30 June 2021)

Mr. Chan Cheuk Ho (appointed on 9 July 2021)

Mr. Cheung Kwok Yu (appointed on 30 June 2021 and resigned on 9 July 2021)

The biographical information of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 15 to 18 of this annual report.

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

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

## GENERAL MEETINGS

All Directors attended the extraordinary general meeting of the Company on 2 July 2021 and the annual general meeting of the Company on 16 August 2021.

## BOARD MEETINGS

The attendance records of each Director at the Board meetings held for the year ended 31 March 2022 are set out in the table below:

Name of Directors	Board meetings attended/ eligible to attend
Mr. Gao Feng	4/4
Mr. Haribayashi Keikyo	4/4
Mr. Okoso Satoshi	4/4
Mr. Liang Fei	4/4
Mr. Taguchi Junichi	4/4
Mr. Choi Koon Ming	4/4
Mr. Chan Cheuk Ho	4/4
Mr. Chan Wing Kai (resigned on 30 June 2021)	3/3
Mr. Ng Ming Ho (resigned on 30 June 2021)	3/3
Ms. Chan Siu Lai (resigned on 30 June 2021)	3/3
Mr. Kwok Chi Shing (resigned on 30 June 2021)	3/3
Mr. Ma Kwok Fai, Edwin (resigned on 30 June 2021)	3/3
Mr. Cheung Kwok Yu (resigned on 9 July 2021)	0/0

## RESPONSIBILITIES OF THE BOARD

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

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

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

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE FUNCTIONS

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

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

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Save as disclosed in the paragraph headed "Corporate Governance Practices", the Group has complied with the code provision A.2.1 of the CG Code during the reporting period, as splitting the roles of the chairman of the Board and the chief executive officer of the Company on 30 June 2021. The Chairman provides leadership for the Board and ensures its effectiveness in all aspects. The Chief Executive Officer has the delegated power to monitor the daily operation and management of the Company. There is no relationship between the Chairman and the Chief Executive Officer.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

### CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

### BOARD COMMITTEES

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



## AUDIT COMMITTEE

The Audit Committee was established with terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules and code provision C.3 of the CG Code. The primary duties of the Audit Committee are to (i) assist the Board in reviewing the Company's financial information; (ii) oversee the Group's financial reporting system, risk management and internal control systems; (iii) review and monitor the effectiveness of the scope of audit; and (iv) make recommendations to the Board on the appointment of external auditors.

The Audit Committee currently consists of three members, namely Mr. Chan Cheuk Ho (the Chairman of the Audit Committee), Mr. Choi Koon Ming and Mr. Liang Fei, being two independent non-executive Directors and a non-executive Director respectively. No member of the Audit Committee is a member of the former or existing independent auditor of the Company in the last two years. The Audit Committee has reviewed this annual report, including the audited consolidated results of the Group for the year ended 31 March 2022.

According to the current terms of reference, the Audit Committee shall meet at least two times for a financial year. Four meetings were held by the Audit Committee for the year ended 31 March 2022 to (i) review and discuss the audited annual results and the unaudited interim financial results of the Group; (ii) discuss and consider the issues arising from the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems; (iii) review and recommend the appointment of external auditors and relevant scope of works; (iv) review and consider continuing connected transactions; and (v) review and consider the enforcement of the Company's controlling shareholders' undertaking in relation to the deed of non-competition executed in favour of the Company. The attendance records of each member of the Audit Committee is set out as follows:

<b>Name of members of the Audit Committee</b>	<b>Meeting(s) attended/ eligible to attend</b>
Mr. Chan Cheuk Ho	4/4
Mr. Choi Koon Ming	4/4
Mr. Liang Fei	4/4

Amongst four meetings held by the Audit Committee, two of which were meetings of independent non-executive Directors with the external auditors without the presence of executive Directors to discuss issues relating to the audit and financial reporting matters for the year ended 31 March 2022 and pre-audit issues for the year ended 31 March 2022.

## REMUNERATION COMMITTEE

The Remuneration Committee was established with terms of reference in compliance with Rules 3.25 to 3.26 of the Listing Rules and code provision B.1 of the CG Code. The Remuneration Committee currently consists of three members, namely Mr. Choi Koon Ming (the Chairman of the Remuneration Committee), Mr. Haribayashi Keikyo and Mr. Chan Cheuk Ho, being an independent non-executive Director, an executive Director and an independent non-executive Director respectively.

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

One meeting was held by the Remuneration Committee for the year ended 31 March 2022. In the meeting, the Remuneration Committee discussed and reviewed, among other things, the remuneration packages of the Directors and senior management. The attendance record of each member of the Remuneration Committee is set out as follows:

<b>Name of members of the Remuneration Committee</b>	<b>Meeting attended/ eligible to attend</b>
Mr. Choi Koon Ming	1/1
Mr. Haribayashi Keikyo	1/1
Chan Cheuk Ho	1/1

Details of emoluments of the Directors and senior management of the Group for the year ended 31 March 2022 are set out in note 8 and 9 to the consolidated financial statements in this annual report.

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

The Nomination Committee was established with terms of reference in compliance with code provision A.5 of the CG Code. The Nomination Committee consists of three members, namely Mr. Taguchi Junichi (the Chairman of the Nomination Committee), Mr. Gao Feng and Mr. Chan Cheuk Ho, being an independent non-executive Director, an executive Director and an independent non-executive Director respectively.

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

One meeting was held by the Nomination Committee for the year ended 31 March 2022. In the meeting, the Nomination Committee discussed and reviewed, among other things, (i) the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the Group's business and is in compliance with the requirements of the Listing Rules; (ii) the recommendation to the Board on re-election of retiring Directors at the forthcoming AGM; and (iii) the assessment of the independence of the independent non-executive Directors. The attendance records of each member of the Nomination Committee is set out as follows:

<b>Name of members of the Nomination Committee</b>	<b>Meeting attended/ eligible to attend</b>
Mr. Taguchi Junichi	1/1
Mr. Gao Feng	1/1
Mr. Chan Cheuk Ho	1/1

## ACCOUNTABILITY AND AUDIT

### Financial reporting

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group for the year ended 31 March 2022 that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by The Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements of the Group. The Directors aim to present a balanced and understandable assessment of the Group's financial position and prospects with timely publication of the consolidated financial statements of the Group. As at 31 March 2022, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubts upon the Group's ability to continue as a going concern. The responsibility of the external auditor is to form an independent opinion, based on their audit, on the Group's consolidated financial statements prepared by the Directors and to report its opinion to the Shareholders. A statement by the external auditor, KPMG ("KPMG"), about their reporting responsibility is set out in the independent auditor's report from pages 74 to 78 of this annual report.

### Internal control and risk management

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

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

During the year ended 31 March 2022, the Group engaged an independent external consulting firm as the Group's internal control adviser (the "**Internal Control Adviser**") to undertake a review and an assessment of the Group's internal control environment and operating cycles in the aspects of (i) policies and procedures on ethics and combating fraud and corruption; (ii) financial closure and reporting process; and (iii) cash and treasury. The review process involved system documentations, testing, interviews and assessment of the effectiveness of the internal control and risk management systems of the Group.

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

# CORPORATE GOVERNANCE REPORT

## NON-COMPETITION UNDERTAKINGS

The independent non-executive Directors have reviewed the enforcement of the controlling shareholders' undertakings in relation to the deed of non-competition executed in favour of the Company. Details of which were set out in the prospectus (the "**Prospectus**") of the Company dated 16 May 2017. The Board confirmed that there are no other matters in relation to the aforesaid undertakings which should be brought to the attention of the Shareholders for the year ended 31 March 2021.

## AUDITOR'S REMUNERATION

The amount of fees charged by the external auditors generally depends on the scope and volume of the external auditors' work performed. For the year ended 31 March 2022, the fees paid or payable to the external auditors of the Company in respect of the statutory audit services and non-audit services for the Group are as follows:

<b>Services rendered</b>	<b>Fees paid/ payable</b> <i>HK\$'000</i>
Statutory audit services	1,672
Non-audit services	Nil
Total	<u>1,672</u>

## COMPANY SECRETARY

Mr. Chiu Chun Tak was appointed as the company secretary of the Group (the "**Company Secretary**") on 30 June 2021. The biographical details of Mr. Chiu are disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report. For the year ended 31 March 2022, the Company Secretary undertook no less than 15 hours of professional training to update his skills and knowledge in compliance with Rule 3.29 of the Listing Rules.

### BOARD DIVERSITY POLICY

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

#### Summary of the Board Diversity Policy

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

#### Measurable objectives

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

#### Monitoring and reporting

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

#### Review of the Board Diversity Policy

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

## NOMINATION POLICY

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

### Summary of the Nomination Policy

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

### Selection criteria

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

- (a) Reputation for integrity;
- (b) Accomplishment, experience and reputation in the apparel industry and other relevant sectors;
- (c) Commitment in respect of sufficient time, interest and attention to the Group’s business;
- (d) Potential contributions he/she will bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- (e) The ability to assist and support management and make significant contributions to the Group’s success;
- (f) Compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive Director; and
- (g) Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

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

### **Nomination procedures**

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

- (a) The secretary of the Nomination Committee shall convene a meeting, and invite nomination of candidates from Board members (if any), for consideration by the Nomination Committee. The Nomination Committee may also nominate candidates for its consideration;
- (b) In the context of appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval;
- (c) In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting;
- (d) The section headed "Procedures for Shareholders to Propose a Director" in this corporate governance report sets forth the procedures for Shareholders' nomination of any proposed candidate for election as a Director; and
- (e) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting, and the ultimate responsibility for selection and appointment of Directors is at the discretion of the Board.

### **Review of Nomination Policy**

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



## DIVIDEND POLICY

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

- (a) The Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value;
- (b) The Company does not have any pre-determined dividend payout ratio;
- (c) The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles and all applicable laws and regulations and the factors set out below;
- (d) The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends:
  - the financial results of the Group;
  - the cash flow situation and possible effects on liquidity and financial positions of the Group;
  - the business conditions and strategies;
  - the future operations and earnings;
  - the capital requirements and future expansion needs;
  - the interests of Shareholders;
  - any restrictions on payment of dividends; and
  - any other factors that the Board may consider relevant.

- (e) Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period as follows:
- an interim dividend;
  - a final dividend;
  - a special dividend; and
  - any distribution of net profits that the Board may deem appropriate.
- (f) Any final dividend for a financial year will subject to Shareholders' approval provided that no dividend shall be declared in excess of the amount recommended by the Board;
- (g) The Company may declare and pay dividends by way of cash or scrip or by other means that the Board may deems appropriate; and
- (h) Any dividend or bonuses unclaimed after a period of six years from the date of declaration shall be forfeited and shall revert to the Company in accordance with the Articles.

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

### SHAREHOLDERS' RIGHTS

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

### PROCEDURES FOR SHAREHOLDERS TO CONVENE EXTRAORDINARY GENERAL MEETING

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

- (a) Any one or more Shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company (the “**Eligible Shareholder(s)**”) carrying the right of voting at general meetings of the Company, shall at all times have the right, by a written requisition (the “**Requisition**”) sent to the Company’s principal place of business in Hong Kong as set out in the manner below, for the attention of the Board and/or the Company Secretary to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition;
- (b) The Eligible Shareholder(s) who wish(es) to convene an EGM must deposit the Requisition with which stating the purposes of the meeting, signed by the Eligible Shareholder(s) concerned to the Board or the Company Secretary at the Company’s principal place of business at Flat A, 17/F., Gemstar Tower, 23 Man Lok Street, Hung Hom, Kowloon, Hong Kong;
- (c) The Requisition must state clearly the name(s) of the Eligible Shareholder(s) concerned, his/her/its shareholding(s), the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company’s expenses in serving the notice of the resolution and circulating the statement submitted by Eligible Shareholder(s) concerned in accordance with the statutory requirements to all the Shareholders;
- (d) The Requisition will be verified with the Company’s branch share registrar in Hong Kong and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the Shareholders. On the contrary, if the Requisition has been verified but not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, an EGM will not be convened as requested; and
- (e) If within 21 days from the date of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) may convene a meeting in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed by the Company to the Eligible Shareholder(s) concerned.

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

### PROCEDURES FOR SHAREHOLDERS TO PROPOSE A DIRECTOR

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

- (a) According to Article 85 of the Articles, no person other than a retiring Director at the meeting shall, unless recommended by the Board for election, be eligible for election as a Director at any general meeting unless (i) a written notice signed by the Shareholder(s) other than a proposed person (the “**Proposed Candidate**”) who is/are duly qualified to attend and vote at the meeting stating his/her intention to propose the Proposed Candidate for election as a Director; and (ii) a written notice signed by the Proposed Candidate stating his/her willingness to be elected as a Director shall be validly served to the Board or the Company Secretary at the head office of the Company;
- (b) The period for lodgement of such notices required under the aforesaid Article will commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days;
- (c) In order to allow the Company to inform the Shareholders of the proposal and to enable the Shareholders to make an informed decision on their election at a general meeting, the written notice must state the full name of the Proposed Candidate and include his/her biographical details as required under Rule 13.51(2) of the Listing Rules and the Proposed Candidate’s written consent to the publication of his/her personal data; and
- (d) Upon receipt of the valid and verified written notices from the Shareholder(s) to propose the Proposed Candidate at the general meeting, the Company will then publish an announcement in accordance with the requirements under the Listing Rules or issue a supplementary circular. The particulars of the Proposed Candidate will be included in the announcement or supplementary circular of the Company.

### RIGHT OF RAISING ENQUIRIES

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

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

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

### PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETING

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

### INVESTOR RELATIONS

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

There had been no significant change in the Company's constitutional documents for the year ended 31 March 2022.

## INTRODUCTION OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (THE “ESG”) REPORT

The Board is pleased to present the ESG Report (the “**ESG Report**”) of the Group for the year ended 31 March 2022 prepared in accordance with standards of the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) as set out in Appendix 27 to the Listing Rules and has complied with the “comply or explain” provisions. The purpose of this ESG Report is to disclose the Group’s management policies, strategies and performance regarding its sustainable development to all stakeholders.

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRUCTURE

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

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## REPORTING SCOPE AND PERIOD

The ESG Report illustrates the Group's initiative and performance regarding the environmental and social aspects during the reporting period from 1 April 2021 to 31 March 2022 (the "**Reporting Period**").

The ESG Report covers subsidiaries of the Group including the operations in Hong Kong and the PRC only with core business principally engaged in provision of apparel supply chain management services and selling knitwear apparel product to its customers, as the revenue from the aforementioned business segment accounted for approximately 100% of the total revenue of the Group, and its number of employees accounted for approximately 82.9% of the total number of employees of the Group during the Reporting Period. The Group will continue to assess the impacts of its business on the major environmental, social and governance aspects and to include in the ESG Report.

## APPROVAL OF THE REPORT

The Report was approved by the Board of the Group on 29 June 2022.

## REPORTING BASIS

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

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

<b>Reporting Principles</b>	<b>Interpretation</b>	<b>The Group's Application</b>
Materiality	The report should disclose significant impacts on the environment and society, or aspects that materially affect how the stakeholders assess the Company and make decisions.	The Group conducted questionnaires to understand its stakeholders' expectations. Based on the results of the questionnaires, the Group identified and reported the Group's material sustainability issues.
Quantitative	The KPIs disclosed in the report shall be calculable and comparable where applicable.	Under feasible situation, the Group recorded, calculated and disclosed quantitative information and conducted comparisons with past performance if applicable.
Balance	The issuer should objectively and truthfully report its current year ESG performance.	The Group followed the principles of accuracy, objectivity, and fairness to report its achievements and challenges in sustainable development.

Reporting Principles	Interpretation	The Group's Application
Consistency	The ESG Report should be prepared in a consistent manner, its KPIs can be compared to understand corporate performance.	The Group used its best endeavours to ensure consistency in preparing the ESG Report and manages its ESG data for future comparison.

## STAKEHOLDERS' ENGAGEMENT

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

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

Stakeholders	Concerns	Communication mechanisms
Employees	<ul style="list-style-type: none"> <li>- Providing safe and suitable working environment for staff</li> <li>- Career development</li> <li>- Rights and interests of employees</li> <li>- Remuneration and welfare</li> </ul>	<ul style="list-style-type: none"> <li>- Email</li> <li>- Staff performance evaluation</li> <li>- Staff recreational activities</li> <li>- Staff training</li> </ul>
Customers	<ul style="list-style-type: none"> <li>- Product and service quality</li> <li>- Complying with applicable laws and being responsible for product and service liability</li> <li>- Respecting customer privacy and information security</li> </ul>	<ul style="list-style-type: none"> <li>- Customer service hotline</li> <li>- Email</li> <li>- Company website</li> </ul>
Investors and shareholders	<ul style="list-style-type: none"> <li>- Corporate governance</li> <li>- Financial performance</li> <li>- Information disclosure</li> <li>- Protection of investors' and shareholders' interests</li> <li>- Improving operational efficiency to generate stable returns in the long run</li> </ul>	<ul style="list-style-type: none"> <li>- Email</li> <li>- Annual general meetings</li> <li>- Company website</li> <li>- Reports, announcements and other publications</li> </ul>



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders	Concerns	Communication mechanisms
Suppliers and business partners	<ul style="list-style-type: none"> <li>- Complying with applicable laws and eradicating corruption behaviour</li> <li>- Maintaining sound cooperation relationship for mutual growth</li> <li>- Formulating stringent procurement system and controlling risks</li> </ul>	<ul style="list-style-type: none"> <li>- Email</li> <li>- Business negotiations</li> <li>- Contracts and agreements</li> <li>- Company website</li> </ul>
Community	<ul style="list-style-type: none"> <li>- Community development support</li> <li>- Enhancing the environmental protection consciousness of staff and encouraging them to make commitment to the society</li> </ul>	<ul style="list-style-type: none"> <li>- Email</li> <li>- Company website</li> </ul>

## STAKEHOLDERS' FEEDBACK

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

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

## MATERIALITY ASSESSMENT

The Group has adopted the principle of materiality in the ESG reporting by understanding the key ESG issues that are important to the business of the Group. During the Reporting Period, the Company undertook its annual materiality assessment exercise. The objective of materiality assessment is to identify ESG topics that are material and relevant to the Group's operation. This included distributing questionnaire to stakeholders so as to identify the most significant environmental and social impacts on its business. To identify potential material topics for disclosure in this ESG Report, we took reference to the ESG Guide and set possible topics for assessment.

According to the results of the materiality assessment, the items below demonstrate the ESG topics with high materiality to the Group, including:

- Emissions
- Use of Resources
- The Environment and Natural Resources
- Climate Change
- Employment
- Health and Safety
- Development and Training
- Labour Standards
- Supply Chain Management
- Product Responsibility
- Anti-corruption
- Community Investment

## ENVIRONMENTAL PROTECTION

### Emissions and Use of resources

The Group is an apparel supply chain management services provider and headquartered in Hong Kong. The Group provides one-stop apparel supply chain management solutions for its customers ranging from fashion trend analysis, product design and development, sourcing and procurement of materials, production management, quality control and logistics services. All of the knitwear products were produced by the third-party manufacturers engaged by the Group. As such, the relevant environmental laws and regulations are not applicable to the Group itself. Notwithstanding the aforementioned, the Group required its suppliers to comply with the relevant laws and regulations relating to not only environmental but also labor, social and safety. The Group also implemented environmental protection policies in order to reduce the possible pollution resulted from its business activities on the environment. These policies including but not limited to the policies on reducing carbon dioxide (“CO<sub>2</sub>”) emission and water consumption, waste management and other eco-friendly measurements in the Group’s business operations. The Group implemented these policies through (i) reminding staff to switch the light on only when it is needed and turn off when staff are out of office; (ii) reminding staff to set the temperature of air-conditioner to an energy-efficient level; (iii) emphasising on the use of recycle paper when printing internal documents and double-sided printing for external documents; (iv) reminding staff and relevant person-in-charge to process daily waste properly and to treasure water resources and avoid wasting; (v) reminding staff to turn off water taps after use; and (vi) endeavouring to promote water conservation in the offices which resulted a limited amount of water consumption during the Reporting Period. The Group continues to review the environmental impact of its operations and assess whether its environmental protection policies are in compliance in all material respects with applicable environmental laws and regulations in Hong Kong and the PRC. During the Reporting Period, the Group’s business operations are wholly office operations, and thus, the key environmental impacts from the Group’s operations mainly related to (i) energy; (ii) paper consumption; and (iii) local and overseas business travels. As such, the environmental impact from the Group’s operation is minimal compared to that of many other industries. During the Reporting Period, there was no material breach of or non-compliance with the applicable laws and regulations related to environmental protection, air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste by the Group.

Major air pollutants emissions of the Group from the vehicles for each of the year ended 31 March 2022 and 31 March 2021 are as follows:

### Air pollutants emissions

Type of air pollutants	Year ended 31 March	
	2022 Air pollutants emission (kg)	2021 Air pollutants emission (kg)
Sulphur dioxide	0.02	0.05
Nitrogen oxides	1.90	4.55
Particulate matter	0.14	0.34

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The greenhouse gas (“GHG”) emissions from the operations of the Group for each of the year ended 31 March 2022 and 31 March 2021 are set out below:

### GHG emissions

Type of GHG emissions	Year ended 31 March	
	2022 Equivalent CO <sub>2</sub> emission (kg)	2021 Equivalent CO <sub>2</sub> emission (kg)
Scope 1 Direct emissions	3,541.82	8,490.29
Scope 2 Indirect emissions	35,631.74	64,172.79
Total	39,173.56	72,663.08
Intensity	63.38 kg/m <sup>2</sup>	117.56 kg/m <sup>2</sup>

Note:

- The calculation of the greenhouse gas is based on the “Corporate Accounting and Reporting Standard” from greenhouse gas protocol.
- Scope 1 refers to direct emission from the vehicles owned by the Group; and
  - Scope 2 refers to indirect emissions from the generation of purchased electricity consumed by the Group; and
  - Scope 3 refers to other indirect emissions which is an optional disclosure in relation to the employees’ business travels.

Energy consumption by the Group for each of the year ended 31 March 2022 and 31 March 2021 are set out below:

### Energy consumption

Type of energy	Year ended 31 March	
	2022 Energy consumed (kWh)	2021 Energy consumed (kWh)
Unleaded petrol	14,544.51	31,420.00
Purchased electricity	96,302.00	125,829.00
Total	110,846.51	157,249.00
Energy intensity	179.34 kWh/m <sup>2</sup>	254.41 kWh/m <sup>2</sup>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **Hazardous waste, non-hazardous waste and packing materials**

For each of the year ended 31 March 2022 and 31 March 2021, the Group generated/consumed no significant hazardous waste, non-hazardous waste, water and packaging materials due to its business nature. The total amount of paper disposed for recycling purpose for the year ended 31 March 2022 was approximately 759.45 kg (2021: approximately 1,157.85 kg).

## **Water**

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

## **Targets**

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

<b>Environmental aspects</b>	<b>Targets</b>	<b>Steps taken to achieve the targets</b>
Air Pollutants Emissions	The Group will actively implement the air pollutants control plan and measures to maintain or reduce the intensity of air pollutants emissions.	<ul style="list-style-type: none"><li>– Carrying out regular maintenance of vehicles with good condition for operational efficiency</li><li>– Encouraging the use of public transportations</li></ul>
Greenhouse Gas Emissions	The Group will actively implement the electricity-saving plan and measures to maintain or reduce the intensity of greenhouse gas emissions	<ul style="list-style-type: none"><li>– Adopting LED lighting in some offices</li><li>– Setting the temperature of air-conditioning system in a range between 25°C to 26°C</li><li>– Switching off lights and unnecessary energy-consuming devices when they are not in use</li><li>– Promoting environmental protection such as saving water and electricity by slogan or poster in office</li></ul>

Environmental aspects	Targets	Steps taken to achieve the targets
Waste Reduction	The Group will actively implement the material-saving plan and measures to maintain or reduce the intensity of waste production.	<ul style="list-style-type: none"> <li>- Using electronic document processing system to minimize the use of paper</li> <li>- Encouraging printing or photocopying on both sides of paper, where applicable</li> <li>- Focusing on quality management to reduce wastage and scrap for less pollution resulted</li> </ul>
Energy Conservation	The Group will actively implement the electricity-saving plan and measures to maintain or reduce the intensity of electricity consumption.	<ul style="list-style-type: none"> <li>- Adopting LED lighting in some offices</li> <li>- Setting the temperature of air-conditioning system in a range between 25°C to 26°C</li> <li>- Switching off lights and unnecessary energy-consuming devices when they are not in use</li> </ul>
Water Conservation	The Group will actively implement the water-saving plan and measures to maintain or reduce the intensity of water consumption.	<ul style="list-style-type: none"> <li>- Promoting environmental protection such as saving water and electricity by slogan or poster in office</li> </ul>

## The environment and natural resources

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

## Climate change

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### **Physical Acute Risk**

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

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

<b>Extreme weather</b>	<b>Preventative and mitigation measures</b>
Typhoons	<ul style="list-style-type: none"> <li>– Attach duct tapes to windows to avoid damage</li> <li>– Move equipment to safety areas in advance</li> <li>– Reinforce equipment and components that may be blown away</li> <li>– Inform and negotiate with clients and third-party suppliers of potential delays in advance</li> <li>– Arrange work from home for staff according to the rules and guidelines of imposed and published by the governments from time to time</li> </ul>
Heavy rain and flooding	<ul style="list-style-type: none"> <li>– Check that all windows are shut as secure as possible</li> <li>– Reinforce equipment and assets which may be damaged or blown away</li> <li>– Arrange work from home for staff according to the rules and guidelines imposed and published by the governments from time to time</li> </ul>
Thunder and lightning	<ul style="list-style-type: none"> <li>– Keep good conditions of earthing devices</li> <li>– Remind employees to save data and turn off computers</li> </ul>

### **Physical Chronic Risk**

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

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

## Physical Chronic Risk

Extreme weather	Preventative and mitigation measures
Sustained high temperature	<ul style="list-style-type: none"> <li>- Diversify the impact by developing and promoting more summer/spring products</li> <li>- Keep a first-aid kit available on all premises of the group</li> <li>- Keep cold water available 24 hours a day</li> </ul>

## CORPORATE SOCIAL RESPONSIBILITIES

### Employment

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

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

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

\* For identification purpose only



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As at 31 March 2022, the business segment under our reporting scope had a total of 58 employees (as at 31 March 2021: 59), all of whom are full-time employees. Table below sets out the breakdown of the total number of employees by gender, age group, employment category and geographical region for the Reporting Period and the corresponding period:

	Year ended 31 March			
	2022		2021	
	<i>Number of staff</i>	<i>%</i>	<i>Number of staff</i>	<i>%</i>
<b>By gender</b>				
Male	<b>13</b>	<b>22.41</b>	14	23.73
Female	<b>45</b>	<b>77.59</b>	45	76.27
<b>Total</b>	<b>58</b>	<b>100.00</b>	59	100.00
<b>By age group</b>				
30 or below	<b>9</b>	<b>15.52</b>	6	10.17
31-40	<b>18</b>	<b>31.03</b>	24	40.68
41-50	<b>19</b>	<b>32.76</b>	18	30.51
51 or above	<b>12</b>	<b>20.69</b>	11	18.64
<b>Total</b>	<b>58</b>	<b>100.00</b>	59	100.00
<b>By employee category</b>				
Senior Management	<b>5</b>	<b>8.62</b>	8	13.56
Middle Management	<b>5</b>	<b>8.62</b>	9	15.25
General Staff	<b>48</b>	<b>82.76</b>	42	71.19
<b>Total</b>	<b>58</b>	<b>100.00</b>	59	100.00
<b>By geographical region</b>				
Hong Kong	<b>41</b>	<b>70.69</b>	44	74.58
PRC	<b>15</b>	<b>25.86</b>	13	22.03
Japan	<b>2</b>	<b>3.45</b>	2	3.39
<b>Total</b>	<b>58</b>	<b>100.00</b>	59	100.00

During the Reporting Period and the corresponding period, the table below shows the employee turnover rate of the business segment under our reporting scope by gender, age group and geographical region, respectively. The turnover rate is defined by the categories of employees leaving employment divided by the average number of employees in these specified categories.

	<b>Year ended 31 March 2022 Employee turnover rate (%)</b>	Year ended 31 March 2021 Employee turnover rate (%)
<b>By gender</b>		
Male	<b>22.22</b>	40.00
Female	<b>26.67</b>	30.23
Overall	<b>25.64</b>	32.76
<b>By age group</b>		
30 or below	<b>26.67</b>	106.67
31-40	<b>28.57</b>	39.13
41-50	<b>37.84</b>	11.43
51 or above	–	–
Overall	<b>25.64</b>	32.76
<b>By geographical region</b>		
Hong Kong	<b>25.88</b>	26.53
PRC	<b>28.57</b>	57.14
Japan	–	100.00
<b>Overall</b>	<b>25.64</b>	32.76

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

## Health and safety

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

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group places health and safety of its employee as its highest priority in response to the COVID-19 pandemic and has taken timely actions and measures to protect and prevent its employees from being infected. The hygiene measures adopted by the Group are as follows:

- Sanitary items provided by the Group including face masks, alcohol-based sanitisers and ultraviolet light hand dryer;
- Employees are required to wear a face mask in the office;
- Upon arrival at the office, employees are required to measure their body temperature at the reception and wash their hands with soap before working;
- Home office arrangements;
- Encouraging employees to take COVID vaccinations as early as they can by providing vaccination leave and bonus;
- Providing COVID Antigen Test Kit to its employees on weekly basis;
- If an employee has respiratory symptoms or body temperature higher than 37.5 degree celsius, they are required to seek medical treatments and undergo self-quarantine at home; and
- If an employee is returning from outside Hong Kong, they are required to report to the human resources department and undergo compulsory quarantine as required under the Compulsory Quarantine of Certain Persons Arriving at Hong Kong Regulation.

The Board will continue to monitor the developments of the COVID-19 pandemic closely and to ensure to comply with all applicable laws, rules and regulations.

### Labour standards

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

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

\* For identification purpose only

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

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

### Development and training

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

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

Table below is the breakdown of the percentage of employees trained by gender and by employee category for the Reporting Period and the corresponding period.

<b>Employee trained by gender</b>	<b>Year ended 31 March 2022</b>	Year ended 31 March 2021
	%	%
Male	<b>0.00</b>	50.00
Female	<b>2.22</b>	20.00
Overall	<b>1.72</b>	27.12

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<b>Employee trained by employee category</b>	<b>Year ended 31 March 2022</b>	Year ended 31 March 2021
	<b>%</b>	<b>%</b>
Senior Management	<b>20.00</b>	100.00
Middle Management	<b>0.00</b>	33.33
General Staff	<b>0.00</b>	11.90
Overall	<b>1.72</b>	27.12

The average training hours for employees by gender and by employee category for the Reporting Period and the corresponding period.

<b>Average training hours by gender</b>	<b>Year ended 31 March</b>	
	<b>Year ended 31 March 2022</b>	Year ended 31 March 2021
	<b>Hours per employee</b>	<i>Hours per employee</i>
Male	<b>0.00</b>	0.86
Female	<b>0.68</b>	1.04
Overall	<b>0.53</b>	1.00

<b>Average training hours by employee category</b>	<b>Year ended 31 March</b>	
	<b>Year ended 31 March 2022</b>	Year ended 31 March 2021
	<b>Hours per employee</b>	<i>Hours per employee</i>
Senior Management	<b>6.10</b>	6.38
Middle Management	<b>0.0</b>	0.33
General Staff	<b>0.0</b>	0.12
Overall	<b>0.53</b>	1.00

## Supply chain management

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

The following is an analysis of the Group's number of suppliers by geographical location for each of the year ended 31 March 2022 and 31 March 2021:

Number of suppliers by geographical location	Year ended 31 March			
	2022 Number of suppliers	2022 %	2021 Number of suppliers	2021 %
Hong Kong	36	60.00	34	69.39
The PRC	10	16.67	6	12.24
Others	14	23.33	9	18.37
Total	60	100.00	49	100.00

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

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

## **Product responsibility**

### ***Compliance with relevant laws and regulations***

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

### ***Quality Control***

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

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

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

### ***Customer Service and Product Return***

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

\* For identification purpose only

### **Intellectual Property Rights**

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

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

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

### **Data Privacy**

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

### **Advertising and Labelling**

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

\* For identification purpose only



### Anti-corruption

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

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

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

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

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

### Community investment

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

\* For identification purpose only

## REFERENCES TO THE ESG REPORTING GUIDE

Subject areas, aspects, general disclosures and KPIs	Chapter/Disclosure	Page
<b>A. Environmental</b>		
<b>Aspect A1: Emissions</b>		
<b>General Disclosure</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions and Use of resources 42-45
<b>KPI A1.1</b>	The types of emissions and respective emissions data.	Emissions and Use of resources 42
<b>KPI A1.2</b>	Direct and energy indirect greenhouse gas emissions and, where appropriate, intensity.	Emissions and Use of resources 43
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<b>KPI A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions and Use of resources 44-45
<b>Aspect A2: Use of Resources</b>		
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<b>KPI A2.2</b>	Water consumption in total and intensity.	Emissions and Use of resources 44
<b>KPI A2.3</b>	Description of energy use efficiency target(s) set and steps taken to achieve them.	Emissions and Use of resources 45

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<b>KPI A2.5</b> Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Emissions and Use of resources	44
<b>Aspect A3: The Environment and Natural Resources</b>		
<b>General Disclosure</b> Policies on minimising the issuer's significant impacts on the environment and natural resources.	Emissions and Use of resources, The environment and natural resources	42-45
<b>KPI A3.1</b> Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Emissions and Use of resources, The environment and natural resources	42-45
<b>Aspect A4: Climate Change</b>		
<b>General Disclosure</b> Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate change	45-46
<b>KPI A4.1</b> Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate change	45-46
<b>B. Social</b>		
<b>Employment and Labour Practices</b>		
<b>Aspect B1: Employment</b>		
<b>General Disclosure</b> Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</li> </ul>	Employment	47

<b>Subject areas, aspects, general disclosures and KPIs</b>	<b>Chapter/Disclosure</b>	<b>Page</b>
<b>KPI B1.1</b>	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment 48
<b>KPI B1.2</b>	Employee turnover rate by gender, age group and geographical region.	Employment 49
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<b>KPI B2.1</b>	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	Health and safety 49
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<b>KPI B3.1</b>	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and training 51-52
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<b>Aspect B4: Labour Standards</b>		
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<b>KPI B5.1</b>	Number of suppliers by geographical region.	Supply chain management	53
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<b>KPI B5.3</b>	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply chain management	53
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<b>Aspect B6: Product Responsibility</b>			
<b>General Disclosure</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Product responsibility	54-55
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<b>General Disclosure</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption 56
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## REPORT OF THE DIRECTORS

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The Directors hereby present this report and the audited consolidated financial statements of the Group for the year ended 31 March 2022.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The major activities of its principal subsidiaries are set out in note 13 to the consolidated financial statements of the Group in this annual report. There were no significant changes in the nature of the Group's principal activities during the year ended 31 March 2022.

### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

The Environmental, Social and Governance Report of the Company for the year ended 31 March 2022 contained the information as required by the standards set out in Appendix 27 to the Listing Rule is disclosed on pages 37 to 61 of this annual report.

### **COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS**

As the Board is aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that had a significant impact on the business and operations of the Group for the year ended 31 March 2022.

### **RELATIONSHIP WITH STAKEHOLDERS**

The Group's relationship with its stakeholders is disclosed in the section headed "Management Discussion and Analysis" on page 13 of this annual report.

### **RESULTS AND APPROPRIATIONS**

The results and appropriations of the Group for the year ended 31 March 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 80 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2022 (for the year ended 31 March 2021: Nil).

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 31 March 2022 in the property, plant and equipment of the Group are set out in note 11 to the consolidated financial statements of this annual report.

### BUSINESS REVIEW

A discussion and analysis of the Group's performance for the year ended 31 March 2022, the key factors affecting its results and financial position are set out in the section headed "Management Discussion and Analysis" of this annual report. Further, a fair review of, and an indication of likely future prospects in the Group's business are set out in the sections headed "Chairman's Statement" of this annual report.

### PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial position, results of operations, businesses and prospects would be affected by a number of principal risks including foreign currency risk, interest rate risk, credit risk and liquidity risk. The financial risk management policies and practices of the Group are disclosed in note 26 to the consolidated financial statements of this annual report.

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

### FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the latest five financial years is set out on page 136 in this annual report.



## REPORT OF THE DIRECTORS

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### SHARE CAPITAL

There has been no change in the capital structure of the Company for the year ended 31 March 2022. The share capital of the Company only comprises ordinary shares.

As at 31 March 2022, the Company's issued share capital was HK\$5.0 million divided by 500,000,000 ordinary shares of HK\$0.01 each.

Details of the movements in the Company's share capital for the year ended 31 March 2022 are set out in note 24 to the consolidated financial statements of this annual report.

### PRE-EMPTIVE RIGHTS

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 March 2022.

### RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 25 to the consolidated financial statements of the Group and in the consolidated statement of changes in equity on page 83 in this annual report, respectively.

### DISTRIBUTABLE RESERVES

As at 31 March 2022, the Company's reserves available for distribution, calculated in accordance with the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$54.3 million (as at 31 March 2021: approximately HK\$60.9 million).

### MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2022, the Group's largest customer and five largest customers' aggregate amount represented approximately 43.6% (for the year ended 31 March 2021: approximately 43.5%) and 88.3% (for the year ended 31 March 2021: approximately 91.1%) of the Group's total revenue, respectively. The Group's largest supplier and five largest suppliers' aggregate amount represented approximately 44.0% (for the year ended 31 March 2021: approximately 44.9%) and 79.9% (for the year ended 31 March 2021: approximately 85.4%) of the Group's cost of sales, respectively.

To the best knowledge of the Directors, none of the Directors nor any of their close associates (as defined in the Listing Rules) nor any Shareholders who or which to the knowledge of the Directors own more than 5% of the Company's issued share capital had any beneficial interest in any of the Group's five largest customers and/or suppliers during the year ended 31 March 2022.

### DIRECTORS

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

#### Executive Directors

Mr. Gao Feng (Chief executive officer)  
(appointed on 1 June 2021 and appointed as  
Chief executive officer on 30 June 2021)  
Mr. Haribayashi Keikyo (appointed on 1 June 2021)  
Mr. Chan Wing Kai (resigned on 30 June 2021)  
Mr. Ng Ming Ho (resigned on 30 June 2021)

#### Non-executive Directors

Mr. Okoso Satoshi (appointed on 1 June 2021 and appointed as Chairman on 30 June 2021)  
Mr. Liang Fei (appointed on 1 June 2021)

#### Independent non-executive Directors

Mr. Taguchi Junichi (appointed on 30 June 2021)  
Mr. Choi Koon Ming (appointed on 30 June 2021)  
Mr. Chan Cheuk Ho (appointed on 9 July 2021)  
Ms. Chan Siu Lai (resigned on 30 June 2021)  
Mr. Kwok Chi Shing (resigned on 30 June 2021)  
Mr. Ma Kwok Fai, Edwin (resigned on 30 June 2021)  
Mr. Cheung Kwok Yu  
(appointed on 30 June 2021 and resigned on 9 July 2021)

## REPORT OF THE DIRECTORS

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Pursuant to Article 83(3) of the Articles and the code provision A.4.2 of the CG Code, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election. All Directors appointed with effect from 1 June 2021 shall retire and be eligible for re-election at the forthcoming AGM of the Company.

### **BIOGRAPHICAL DETAILS OF DIRECTORS**

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

### **DIRECTORS’ SERVICE CONTRACTS**

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

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

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

### CONFIRMATION OF INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

### PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles, the Directors shall be entitled to be indemnified out of the assets or profits of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and senior management of the Group during the year ended 31 March 2022.

### TAX RELIEF AND EXEMPTION

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

### EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals are set out in note 8 and 9 to the consolidated financial statements in this annual report.

### EMOLUMENT POLICY

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

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

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

## REPORT OF THE DIRECTORS

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

As at 31 March 2022, none of the Directors or the chief executive of the Company has any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which (a) would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which such Directors and chief executives of the Company were taken or deemed to have under such provisions of the SFO); or (b) would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) would be required, pursuant to the Model Code or Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange.

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

As at 31 March 2022, so far as it is known to the Directors or chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was expected, directly or indirectly, to be interested in 10% or more of the issued voting shares of any other member of the Group:

<b>Name of substantial shareholders</b>	<b>Nature of interest/ holding capacity</b>	<b>Percentage of issued share capital of the Company</b>	<b>Percentage of issued share capital of the Company <sup>(note 1)</sup></b>
EPS Holdings, Inc. ("EPS HD")	Beneficial owner	375,000,000 (L) <sup>(notes 2 and 3)</sup>	75%
Shinyou KK	Interest of a controlled corporation	375,000,000 (L) <sup>(notes 2 and 3)</sup>	75%
Y&G Limited	Interest of a controlled corporation	375,000,000 (L) <sup>(notes 2 and 3)</sup>	75%
Mr. Yan Hao ("Mr. Yan")	Interest of a controlled corporation	375,000,000 (L) <sup>(notes 2 and 3)</sup>	75%

Notes:

- As at 31 March 2022, the Company's issued ordinary share capital was HK\$5.0 million divided into 500,000,000 ordinary shares of HK\$0.01 each.
- EPS HD is wholly-owned by Shinyou KK, a company incorporated in Japan which is owned as to approximately 71.55% by Y&G Limited, also a company incorporated in Japan which is in turn wholly-owned by Mr. Yan. Mr. Yan is also directly interested in approximately 2.32% of the shareholding interest of Shinyou KK. By virtue of the SFO, Mr. Yan is deemed to be interested in these shares held by EPS HD.
- The letter "L" denotes a long position in the Shares.

## SHARE OPTION SCHEME

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

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

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

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

## EQUITY-LINKED AGREEMENTS

Save as the share option scheme of the Company disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 March 2022 or subsisted as at 31 March 2022.

## REPORT OF THE DIRECTORS

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### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

Save as disclosed in the section headed "Continuing Connected Transactions" below and in note 28 to the consolidated financial statements of this annual report, no Director nor any connected entity of a Director had any material interest, either directly or indirectly, in any transactions, arrangements or contract of significance in relation to the business of the Group, to which the Company or any of its subsidiaries was a party subsisting during or at the end of the year.

### **DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

During the year ended 31 March 2022, none of the Directors nor any of their respective close associates (as defined in the Listing Rules), engaged in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group, or had any other conflict of interest with the Group.

### **RELATED PARTY TRANSACTIONS**

Details of related party transactions of the Group during the year are set out in note 28 to the consolidated financial statements in this annual report. Save as the lease payments and administrative service fee paid to the related companies, which constitute a continuing connected transaction but are exempted from the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, none of these related party transactions constituted a connected transaction or a continuing connected transaction as defined under the Listing Rules during the year ended 31 March 2022. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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

### **CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE**

Save as disclosed in the section headed "Continuing Connected Transactions" below and in note 28 to the consolidated financial statements of this annual report, no other contracts of significance between the Group or any of its subsidiaries and the controlling shareholder or any of its subsidiaries subsisted at the end of the year or at any time during the year, whether for the provision of services to the Group or any of its subsidiaries by any controlling shareholder or any of its subsidiaries or otherwise.

## CONTINUING CONNECTED TRANSACTIONS

### Tenancy agreement between the Group and Firenze Apparel Limited (“Firenze”)

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

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

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

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

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

### Sharing of administrative services arrangement

During the year, three Japan subsidiaries of the Group shared administrative services with ultimate holding company. Administrative expenses incurred during the year amounted to HK\$5,729,000 (2021: HK\$Nil). The transactions relating to the sharing of the administrative services between the Group and its ultimate holding company are on a cost basis, and such costs were identifiable in proportion to the services received by the Group and had been allocated to the Group on a fair and equitable basis. Accordingly, such transactions constituted fully exempt continuing connected transactions under Rule 14A.98 of the Listing Rules.



## REPORT OF THE DIRECTORS

Save as disclosed above, the Group has not entered into any connected transaction or continuing connected transaction during the year ended 31 March 2022 which should be disclosed pursuant to the requirements under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the continuing connected transactions were entered into: (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better, and (c) in accordance with the respective agreement signed on terms that are fair and reasonable and in the interests of shareholders of the Company as a whole.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any part of the business of the Group were entered into or existed during the year ended 31 March 2022.

### SUFFICIENCY OF PUBLIC FLOAT

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

### EVENTS AFTER THE REPORTING PERIOD

#### (a) Equity investment

In April 2022, the Group and Immunomedicine, Inc. (“**IM2D**”) entered into a Basic Agreement on business alliance including capital investment for joint development of certain biotech product. Pursuant to the agreement, EPS Innovative Medicine (Hong Kong) Limited, a wholly-owned subsidiary of the Company, has allotted 133 common stock shares and will allot 166 Series B third-party shares for total consideration of approximately JPY100 million.

#### (b) Waiver of notes

The revenue and profit after tax of the Group attributable to the garment business for the year ended 31 March 2022 is HK\$424,638,325 and HK\$9,457,338 respectively while current year revenue target and profit target is HK\$240,000,000 and HK\$10,000,000 respectively.

As the profit after tax is lower than the guaranteed profit pursuant to the sale and purchase agreement dated 26 April 2021 (the “**Agreement**”) and entered into among the EPS Holdings, Inc. (the “**Purchaser**”), Speed Development Co. Ltd (the “**Vendor**”) and Mr. Chan Wing Kai in relation to the sale and purchase of an aggregate of 375,000,000 ordinary shares in the share capital of the Company, details of which are set out in the composite document of the Company and the Purchaser dated 26 May 2021 (the “**Composite Document**”), the Vendor and the Guarantor were required to compensate the Company by waiving a portion of the unsecured interest-free non-transferrable notes due on 30 June 2022 issued by Speed Apparel (BVI) Limited, a wholly-owned subsidiary of the Company, in favour of the Vendor, pursuant to the terms and conditions set out in the Agreement, details of which are set out in the Composite Document. As such, HK\$542,662 out of HK\$21,666,000 of the Notes will be waived.

### CHANGE IN AUDITOR

Zhonghui Anda CPA Limited resigned as the external auditor of the Group with effect from 16 December 2021.

KPMG has been appointed as the external auditor of the Group with effect from 16 December 2021, to fill the casual vacancy following the retirement of Zhonghui Anda CPA Limited and to hold office until the conclusion of the next annual general meeting of the Company.

The consolidated financial statements for the year ended 31 March 2022 have been audited by KPMG will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

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

By order of the Board

**Okoso Satoshi**

*Chairman and non-executive Director*

Hong Kong, 29 June 2022

# INDEPENDENT AUDITOR'S REPORT



## **Independent auditor's report to the members of EPS Creative Health Technology Group Limited (formerly known as Speed Apparel Holding Limited)**

*(Incorporated in the Cayman Islands with limited liability)*

### **OPINION**

We have audited the consolidated financial statements of EPS Creative Health Technology Group Limited (formerly known as Speed Apparel Holding Limited) (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 79 to 135, which comprise the consolidated statement of financial position as at 31 March 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BASIS FOR OPINION**

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

### **KEY AUDIT MATTERS**

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

## KEY AUDIT MATTERS (CONTINUED)

### Revenue recognition

Refer to note 4 to the consolidated financial statements and the accounting policy in note 2(o).

The Key Audit Matter	How the matter was addressed in our audit
<p>The Group's revenue is principally generated from the provision of apparel supply chain management services to its customers.</p> <p>Revenue is recognised when control of the goods has been transferred to the customers in accordance with the contractual arrangements and related agreed commercial shipping terms.</p> <p>The Group evaluates the contractual and shipping terms of each sales contract in order to determine the appropriate timing for revenue recognition.</p> <p>On 26 April 2021, the Group was disposed to EPS Holdings, Inc. by a preceding controlling shareholder (the "Disposal"), Speed Development Co. Ltd, which is controlled by Mr. Chan Wing Kai. According to the sales and purchase agreement, Speed Development Co. Ltd is required to provide profit and revenue guarantees in favour of EPS Holdings, Inc. up to 31 March 2024. Mr. Chan retains as a management of the Group after the Disposal.</p> <p>We identified the existence of revenue recognition as key audit matter because revenue is one of the key performance indicators of the Group and could be subject to manipulation to meet targets or expectations, such as profit and revenue guarantees.</p>	<p>Our audit procedures to assess the revenue recognition included the following:</p> <ul style="list-style-type: none"> <li>• obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over revenue recognition;</li> <li>• inspecting customer contracts, on a sample basis, to understand terms of sale transactions including the terms of delivery and sale returns to assess if the Group's revenue recognition criteria were in accordance with the requirements of the prevailing accounting standards;</li> <li>• comparing revenue transactions recognised during the year, on a sample basis, with customer contracts and bills of lading and assessing whether revenue was recognised in accordance with the Group's revenue recognition policies;</li> <li>• obtaining external confirmations of the value of sales transactions for the year ended 31 March 2022 and outstanding trade receivable balances as at that date directly from customers, on a sample basis;</li> <li>• comparing, on a sample basis, whether specific revenue transactions recorded around financial year end date had been recognised in the appropriate financial period by comparing the transactions selected with relevant supporting documents, including sales invoices, bills of lading and the terms as set out in customer contracts;</li> <li>• selecting a sample of sales journals during the financial year that met certain risk-based criteria and comparing details of these journals with the relevant supporting documents; and</li> <li>• inspecting a sample of manual adjustments to revenue raised during the reporting period, enquiring of management the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT (continued)

### **INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON**

The directors are responsible for the other information. The other information comprises all the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Maggie L. T. Lee.

#### **KPMG**

*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

29 June 2022

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2022  
(Expressed in Hong Kong dollars)

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Revenue</b>	4	<b>424,656</b>	405,445
Cost of sales		<b>(362,101)</b>	(351,414)
<b>Gross profit</b>		<b>62,555</b>	54,031
Other (loss)/income	5	<b>(1,716)</b>	1,512
Selling and distribution expenses		<b>(31,489)</b>	(28,260)
Administrative expenses		<b>(41,357)</b>	(20,011)
<b>(Loss)/profit from operations</b>		<b>(12,007)</b>	7,272
Finance costs	6(a)	<b>(4,614)</b>	(136)
<b>(Loss)/profit before tax</b>	6	<b>(16,621)</b>	7,136
Income tax expense	7	<b>(1,794)</b>	(631)
<b>(Loss)/profit for the year</b>		<b>(18,415)</b>	6,505
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(17,636)</b>	6,505
Non-controlling interests		<b>(779)</b>	–
<b>(Loss)/profit for the year</b>		<b>(18,415)</b>	6,505
<b>(Loss)/earnings per share</b>			
Basic and diluted (HK cents)	10	<b>(3.5)</b>	1.3

The notes on pages 79 to 135 form part of these financial statements. Details of dividend payable to equity shareholders of the Company attributable to the profit for the year are set out in note 25(d).



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

(Expressed in Hong Kong dollars)

<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
<b>(Loss)/profit for the year</b>	<b>(18,415)</b>	6,505
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	<b>(77)</b>	110
<b>Other comprehensive income for the year</b>	<b>(77)</b>	110
<b>Total comprehensive income for the year</b>	<b>(18,492)</b>	6,615
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(17,766)</b>	6,615
Non-controlling interests	<b>(726)</b>	–
<b>Total comprehensive income for the year</b>	<b>(18,492)</b>	6,615

The notes on pages 79 to 135 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022  
(Expressed in Hong Kong dollars)

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	1,454	2,386
Right-of-use assets	12	4,763	1,826
Other financial assets	14	2,977	–
Refundable rental deposits		994	–
		<b>10,188</b>	4,212
<b>Current assets</b>			
Inventories	15	9,406	5,957
Trade and other receivables	16	30,316	44,369
Tax recoverable	23	1,060	3,257
Pledged bank deposit	18	–	8,137
Cash and cash equivalents	17	197,950	85,235
		<b>238,732</b>	146,955
<b>Current liabilities</b>			
Trade and other payables	19	22,673	15,496
Amount due to a related party	28(a)(iii)	21,432	–
Bank borrowings	20	–	508
Lease liabilities	21	2,679	1,888
Tax payable	23	1,024	–
		<b>47,808</b>	17,892
<b>Net current assets</b>		<b>190,924</b>	129,063
<b>Total assets less current liabilities</b>		<b>201,112</b>	133,275
<b>Non-current liabilities</b>			
Lease liabilities	21	2,099	–
Amount due to a related party	28(a)(iii)	72,271	–
Deferred tax liabilities	23	38	130
		<b>74,408</b>	130
<b>NET ASSETS</b>		<b>126,704</b>	133,145

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 March 2022

(Expressed in Hong Kong dollars)

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Capital and reserves</b>			
Share capital	24	5,000	5,000
Reserves	25	120,372	128,145
<b>Equity attributable to owners of the company</b>		<b>125,372</b>	113,145
Non-controlling interests		1,332	–
<b>TOTAL EQUITY</b>		<b>126,704</b>	133,145

Approved and authorised for issue by the board of directors on 29 June 2022.

)  
)  
Gao Feng )  
) Directors  
)  
Haribayashi Keikyo )  
)

The notes on pages 79 to 135 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022  
(Expressed in Hong Kong dollars)

	Share capital HK\$'000 Note 24	Share premium HK\$'000 Note 25(c)(i)	Special reserve HK\$'000 Note 25(c)(ii)	Capital reserve HK\$'000 Note 25(c)(iii)	Other reserve HK\$'000 Note 25(c)(v)	Exchange reserve HK\$'000 Note 25(c)(iv)	Retained profits HK\$'000	Total HK\$'000	Non- controlling interest HK\$'000	Total equity HK\$'000
At 1 April 2020	5,000	47,656	17,016	4,000	-	(144)	53,002	126,530	-	126,530
<b>Changes in equity for 2021:</b>										
Profit for the year	-	-	-	-	-	-	6,505	6,505	-	6,505
Other comprehensive income	-	-	-	-	-	110	-	110	-	110
At 31 March 2021	5,000	47,656	17,016	4,000	-	(34)	59,507	133,145	-	133,145
At 1 April 2021	<b>5,000</b>	<b>47,656</b>	<b>17,016</b>	<b>4,000</b>	<b>-</b>	<b>(34)</b>	<b>59,507</b>	<b>133,145</b>	<b>-</b>	<b>133,145</b>
<b>Changes in equity for 2022:</b>										
Loss for the year	-	-	-	-	-	-	(17,636)	(17,636)	(779)	(18,415)
Other comprehensive income	-	-	-	-	-	(130)	-	(130)	53	(77)
Capital contributions from non- controlling interest	-	-	-	-	-	-	-	-	2,058	2,058
Contribution from shareholder for providing interest free borrowings	-	-	-	-	9,993	-	-	9,993	-	9,993
<b>At 31 March 2022</b>	<b>5,000</b>	<b>47,656</b>	<b>17,016</b>	<b>4,000</b>	<b>9,993</b>	<b>(164)</b>	<b>41,871</b>	<b>125,372</b>	<b>1,332</b>	<b>126,704</b>

The notes on pages 79 to 135 form part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2022

(Expressed in Hong Kong dollars)

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Operating activities</b>			
(Loss)/profit before tax		<b>(16,621)</b>	7,136
Adjustments for:			
Depreciation of property, plant and equipment	11	<b>983</b>	977
Depreciation of right-of-use assets	12	<b>2,481</b>	2,061
Loss/(gain) on disposals of property, plant and equipment	5	<b>4</b>	(180)
Fair value loss on financial assets at fair value through profit or loss	5	<b>563</b>	–
Finance costs	6(a)	<b>4,614</b>	136
Interest income	5	<b>(23)</b>	(188)
Exchange gain		<b>(69)</b>	–
Operating (loss)/profit before working capital changes		<b>(8,068)</b>	9,942
Increase in inventories		<b>(3,449)</b>	(1,370)
Decrease/(increase) in trade and other receivables		<b>13,059</b>	(3,893)
Increase/(decrease) in trade and other payables		<b>7,177</b>	(11,954)
Cash generated from/(used in) operations		<b>8,719</b>	(7,275)
Income tax refunded/(paid)		<b>1,327</b>	(5,107)
<b>Net cash generated from/(used in) operating activities</b>		<b>10,046</b>	(12,382)
<b>Investing activities</b>			
Proceeds from disposal of property, plant and equipment		–	180
Purchase of property, plant and equipment		<b>(54)</b>	(525)
Release/(placement) of pledged bank deposit		<b>8,137</b>	(77)
Interest received		<b>23</b>	188
Payment for purchase of financial assets	14	<b>(3,540)</b>	–
<b>Net cash generated from/(used in) investing activities</b>		<b>4,566</b>	(234)

## CONSOLIDATED CASH FLOW STATEMENT (continued)

For the year ended 31 March 2022  
(Expressed in Hong Kong dollars)

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Financing activities</b>			
Proceeds from bank borrowings	17(b)	1,124	10,955
Repayment of bank borrowings	17(b)	(1,632)	(10,447)
Proceeds from a related party	17(b)	100,000	–
Interest paid	17(b)	(4)	(14)
Other borrowing costs paid		(850)	–
Capital element of lease rentals paid	17(b)	(2,527)	(2,184)
Interest element of lease rentals paid	17(b)	(64)	(122)
Capital contribution from non-controlling interests		2,058	–
<b>Net cash generated from/(used in) financing activities</b>		<b>98,105</b>	(1,812)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>112,717</b>	(14,428)
<b>Cash and cash equivalents at 1 April</b>		<b>85,235</b>	99,503
<b>Effect of foreign exchange rate changes</b>		<b>(2)</b>	160
<b>Cash and cash equivalents at 31 March</b>		<b>197,950</b>	85,235

The notes on pages 79 to 135 form part of these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 1. GENERAL INFORMATION

EPS Creative Health Technology Group Limited (formerly known as Speed Apparel Holding Limited) (the “Company”) was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 19 November 2015. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Flat A, 17/F., Gemstar Tower, 23 Man Lok Street, Hung Hom, Kowloon, Hong Kong.

The issued shares of the Company were listed on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 31 May 2017 (stock code: 8183) and subsequently transferred to Main Board of the Stock Exchange on 12 December 2019 (stock code: 3860).

The Company is an investment holding company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in provision of apparel supply chain management service for knitwear apparel products and healthcare services. The principal activities of the subsidiaries are set out in note 13 to the financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2022 comprise the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- Other financial assets (see note 2(e))

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

### (c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – phase 2

The adoption of these amendments does not have a material impact on the Group's results and financial positions for the current or prior periods. The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h)).

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income.

Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividend from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

### (f) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(h)):

- right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(g)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Property, plant and equipment (Continued)

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Leasehold improvements	Over the period of the relevant lease or 5 years, whichever is shorter
Furniture and office equipment	20% per annum
Motor vehicle	30% per annum
Properties leased for own use	Over the period of unexpired term of lease and the properties' estimated useful life, whichever is shorter

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

#### (g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

##### (i) As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Leased assets (Continued)

#### (i) **As a lessee** (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(f) and 2(h)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

### (h) Credit losses and impairment of assets

#### (i) **Credit losses from trade and other receivables carried at amortised cost**

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables).

Other financial assets measured at fair value, including equity securities measured at FVPL, are not subject to the ECLs assessment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Credit losses and impairment of assets (Continued)

#### (i) **Credit losses from trade and other receivables carried at amortised cost** (Continued)

##### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

##### *ECLs are measured on either of the following bases:*

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECLs model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Credit losses and impairment of assets (Continued)

#### (i) **Credit losses from trade and other receivables carried at amortised cost** (Continued)

##### *Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Credit losses and impairment of assets (Continued)

#### (i) **Credit losses from trade and other receivables carried at amortised cost** (Continued)

##### *Write-off policy*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

#### (ii) **Impairment of other non-current assets**

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Credit losses and impairment of assets (Continued)

#### (ii) Impairment of other non-current assets (Continued)

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

#### (iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(h)(i) and (ii)).

### (i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows. Cost is calculated using the first-in, first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Inventories (Continued)

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### (j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 2(h)(i)).

### (k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(h)(i).

### (l) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(r)).

### (m) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

### (o) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

#### (i) **Sale of goods**

Revenue is recognised when the customer takes possession of and accepts the products.

#### (ii) **Provision of healthcare services**

Revenue is recognised when the Group transfers the control for services/deliverable units at point in time or when the related service is rendered.

#### (iii) **Dividend**

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (o) Revenue and other income (Continued)

##### (iv) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

##### (v) Government grants

Government grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

#### (p) Translation of foreign currencies

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's presentation currency. The functional currency of the Company is HK\$. The Directors consider that choosing HK\$ as the presentation currency best suits the needs of the Company and investors.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

### (r) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

### (s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) **Income tax** (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (t) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 3. ACCOUNTING JUDGEMENT AND ESTIMATES

Note 26 contain information about the Group's risk management policies. Other significant sources of estimation uncertainty are as follows:

### (a) Impairment of trade and other receivables

The Group estimates the loss allowances for trade and other receivables by assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of reporting period. Where the estimation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed.

### (b) Fair value of amount due to a related party

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

According to the sales and purchase agreement, Speed Development Co. Ltd is committed to provide the Company three interest free notes (the "Notes") with a total principal amount of HK\$65 million in relation to the profit and revenue guarantee for the years ended or ending 31 March 2022, 31 March 2023 and 31 March 2024. If the profit or the revenue is lower than the guaranteed profit or guaranteed revenue, part or the entire Notes of the year will be waived and Speed Development Co. Ltd will be obliged to pay the amount equals to the audited loss after tax for the year to the Company. Speed Development Co. Ltd is also committed to provide a HK\$35 million revolving note to the Company which is due for repayment on 31 March 2024.

## 3. ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

### (b) Fair value of amount due to a related party (Continued)

In determining the day 1 fair value of amount due to Speed Development Co. Ltd, the Group uses discounted cash flow techniques. The estimated cash flows are based on management's best estimates and the discount rate used was the market rate at the inception date applicable for an instrument with similar terms and conditions. The amount due to the related party is subsequently measured at amortised cost.

## 4. REVENUE AND SEGMENT REPORTING

### (a) Revenue

The principal activity of the Group is engaged in provision of apparel supply chain management service for knitwear apparel products and healthcare services. Further details regarding the Group's principal activities are disclosed in note 4(b).

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Womenswear	<b>323,635</b>	314,901
Menswear	<b>61,875</b>	64,418
Kidswear	<b>39,128</b>	21,893
Others	–	4,233
	<b>424,638</b>	405,445
Healthcare	<b>18</b>	–
Total	<b>424,656</b>	405,445



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

## 4. REVENUE AND SEGMENT REPORTING (CONTINUED)

### (a) Revenue (Continued)

#### **Revenue from major customers:**

Revenue from customers individually contributed over 10% of the total revenue of the Group for each of the two years ended 31 March 2022 and 2021 are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	184,980	176,555
Customer B	74,530	94,456
Customer C	N/A	51,795

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 4(b).

### (b) Segment reporting

The Group manages its businesses by business line (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Garment: provision of apparel supply chain management service for knitwear apparel products
- Healthcare: provision of development of new drugs, IRO (Innovative Research Organisation) and medical consultancy services

#### (i) **Segment results, assets and liabilities**

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets and liabilities include all non-current and current assets and liabilities with the exception of other financial assets and other corporate assets and liabilities as these assets and liabilities are managed on a group basis.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

## 4. REVENUE AND SEGMENT REPORTING (CONTINUED)

### (b) Segment reporting (Continued)

#### (i) Segment results, assets and liabilities (Continued)

The measure used for reporting segment profit is “adjusted EBITDA” i.e. “adjusted earnings before interest, taxes, depreciation and amortisation”, where “interest” is regarded as including investment income and “depreciation and amortisation” is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group’s earnings are further adjusted for items not specifically attributed to individual segments, such as directors’ and auditors’ remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

*There are no sales between the reportable segments.*

The Group manages its business by geographical areas for the year ended 31 March 2021. During the year ended 31 March 2022, management has revisited the reportable segments and the Group’s internal reporting. After taking into account the future strategic plan, it is determined that healthcare business is presented under the Healthcare segment, while the apparel supply chain management business is presented under the Garment segment. The corresponding segment information for the year ended 31 March 2021 has been restated.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group’s reportable segments as provided to the Group’s most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2022 and 2021 is set out below.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

### 4. REVENUE AND SEGMENT REPORTING (CONTINUED)

#### (b) Segment reporting (Continued)

##### (i) Segment results, assets and liabilities (Continued)

	Garment		Healthcare		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
<b>Disaggregated by timing of revenue recognition</b>						
Point in time	424,638	405,445	18	–	424,656	405,445
<b>Revenue from external customers</b>	<b>424,638</b>	405,445	<b>18</b>	–	<b>424,656</b>	405,445
<b>Reportable segment revenue</b>	<b>424,638</b>	405,445	<b>18</b>	–	<b>424,656</b>	405,445
<b>Reportable segment (loss)/profit (adjusted EBITDA)</b>	<b>15,602</b>	10,122	<b>(11,548)</b>	–	<b>4,052</b>	10,122
Interest income from bank deposits	5	188	–	–	5	188
Interest expense	(918)	(136)	(102)	–	(1,020)	(136)
Depreciation and amortisation for the year	(3,463)	(3,038)	–	–	(3,463)	(3,038)
<b>Reportable segment profit/(loss) after tax</b>	<b>9,457</b>	6,505	<b>(11,675)</b>	–	<b>(2,218)</b>	6,505
<b>Reportable segment assets</b>	<b>287,698</b>	151,167	<b>2,448</b>	–	<b>290,146</b>	151,167
Additions to non-current segment assets during the year	54	525	–	–	54	525
<b>Reportable segment liabilities</b>	<b>(117,691)</b>	(18,022)	<b>(2,778)</b>	–	<b>(120,469)</b>	(18,022)

##### (ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2022 HK\$'000	2021 HK\$'000
<b>Revenue</b>		
Reportable segment revenue	424,656	405,445
Consolidated revenue (note 4(a))	<b>424,656</b>	405,445

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

## 4. REVENUE AND SEGMENT REPORTING (CONTINUED)

### (b) Segment reporting (Continued)

#### (ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (Continued)

	2022 HK\$'000	2021 HK\$'000
<b>Profit</b>		
Reportable segment (loss)/profit	(424)	7,136
Other loss	(523)	–
Finance costs	(3,594)	–
Fair value losses on non-current assets	(563)	–
Unallocated head office and corporate expenses	(11,517)	–
	<b>(16,621)</b>	7,136
<b>Assets</b>		
Reportable segment assets	290,146	151,167
Elimination of inter-segment receivables	(57,729)	–
	<b>232,397</b>	151,167
Financial assets measured at FVPL	2,977	–
Unallocated head office and corporate assets	13,546	–
	<b>248,920</b>	151,167
<b>Liabilities</b>		
Reportable segment liabilities	120,469	18,022
Unallocated head office and corporate liabilities	1,747	–
	<b>122,216</b>	18,022

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

### 4. REVENUE AND SEGMENT REPORTING (CONTINUED)

#### (b) Segment reporting (Continued)

##### (iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and right-of-use assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset.

	Revenues from external customers		Specified non-current assets	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Hong Kong (place of domicile)	32,315	27,244	3,596	3,322
Mainland China	18,698	6,597	1,579	443
United States	130,090	119,129	–	–
Japan	194,288	201,395	5,013	447
Europe	46,695	50,140	–	–
Other countries	2,570	940	–	–
	392,341	378,201	6,592	890
	424,656	405,445	10,188	4,212

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

## 5. OTHER (LOSS)/INCOME

	2022 HK\$'000	2021 HK\$'000
Interest income	23	188
Sample sales income	1,100	597
Government grant (note (i))	–	2,732
(Loss)/gain on disposal of property, plant and equipment	(4)	180
Fair value loss on financial assets at fair value through profit or loss	(563)	–
Loss on exchange difference, net	(2,272)	(2,185)
	<b>(1,716)</b>	1,512

- (i) In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

## 6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	2022 HK\$'000	2021 HK\$'000
<b>(a) Finance costs</b>		
Interest on bank borrowings (note 17(b))	4	14
Other borrowing costs	850	–
Interest on lease liabilities (note 17(b))	64	122
Interest on borrowings from a related party (note 28(a)(iii))	3,696	–
	<b>4,614</b>	136
<b>(b) Staff costs</b>		
Salaries, wages and other benefits	26,649	20,377
Contributions to defined contribution retirement plan	1,091	871
	<b>27,740</b>	21,248
<b>(c) Other items</b>		
Auditor's remuneration	1,672	480
Depreciation of property, plant and equipment	983	977
Depreciation of right-of-use assets	2,481	2,061
Cost of inventories	362,101	351,414
Commission expenses (included in selling and distribution expenses)	4,697	5,141
Sample charges (included in selling and distribution expenses)	11,859	9,559

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

### 7. INCOME TAX EXPENSE

(a) Taxation in the consolidated statement of profit or loss represents:

	2022 HK\$'000	2021 HK\$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	1,409	574
Under-provision in respect of prior years	–	55
<b>Current tax – Overseas</b>		
Provision for the year	538	63
Over-provision in respect of prior year	(61)	(31)
	1,886	661
<b>Deferred tax credit</b>		
Origination and reversal of temporary differences	(92)	(30)
	1,794	631

The provision for Hong Kong Profits Tax for the year ended 31 March 2022 is calculated at 16.5% (2021: 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.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated on the same basis in 2021.

The provision for Hong Kong Profits Tax for 2022 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2020/21 subject to a maximum reduction of \$10,000 for each business (2021: a maximum reduction of \$10,000 was granted for the year of assessment 2019/20 and was taken into account in calculating the provision for 2021).

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2022 HK\$'000	2021 HK\$'000
(Loss)/profit before taxation	(16,621)	7,136
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	(3,292)	1,040
Tax effect of non-deductible expense	1,960	–
Tax effect of non-taxable income	(3)	(502)
Tax effect of tax loss not recognised	3,185	89
(Over)/under provision in prior years	(61)	24
Tax effect of profit under tax concessions	(20)	(20)
Others	25	–
Income tax expense	1,794	631

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

## 8. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows.

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

Note:

- (1) Appointed as Executive Director with effect from 1 June 2021.
- (2) Resigned as Executive Director with effect from 30 June 2021.
- (3) Appointed as Non-executive Director with effect from 1 June 2021.
- (4) Appointed as Independent non-executive Director with effect from 30 June 2021.
- (5) Appointed as Independent non-executive Director with effect from 9 July 2021.
- (6) Resigned as Independent non-executive Director with effect from 30 June 2021.
- (7) Mr. Chan and Mr. Ng continually serves the Group as employees under a subsidiary after resigned as Executive Director, the amount above represents their annual salary package.
- (8) Appointed as Independent non-executive Director with effect from 30 June 2021 and resigned with effect from 9 July 2021.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

### 8. DIRECTORS' EMOLUMENTS (CONTINUED)

	For the year ended 31 March 2021			2021 Total HK\$'000
	Fee HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	
<b>Executive Directors</b>				
Mr. Chan Wing Kai	–	1,992	18	2,010
Mr. Ng Ming Ho	–	717	18	735
<b>Independent non-executive Directors</b>				
Mr. Kwok Chi Shing	120	–	–	120
Ms. Chan Siu Lai	120	–	–	120
Mr. Ma Kwok Fai, Edwin	120	–	–	120
	360	2,709	36	3,105

### 9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2021: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2021: three) individuals are as follows:

	2022 HK\$'000	2021 HK\$'000
Salary and other emoluments	1,905	2,307
Retirement scheme contributions	33	54
	1,938	2,361

The emoluments of the two (2021: three) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2022	2021
Nil to HK\$1,000,000	1	3
HK\$1,000,001 to HK\$2,000,000	1	–

During the year ended 31 March 2022, no emoluments (2021: Nil) were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

### 10. (LOSS)/EARNINGS PER SHARE

#### (a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss for the year attributable to owners of the Company of approximately HK\$17,636,000 (2021: profit of approximately HK\$6,505,000) and the weighted average number of ordinary shares of 500,000,000 (2021: 500,000,000) in issue during the year.

#### (b) Diluted (loss)/earnings per share

No diluted (loss)/earnings per share are presented as the Company did not have any dilutive potential ordinary share outstanding during the years ended 31 March 2022 and 2021.

### 11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK\$'000	Furniture and office equipment HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
<b>Cost</b>				
At 1 April 2020	2,558	5,386	626	8,570
Additions	–	525	–	525
Disposals	–	(944)	(625)	(1,569)
At 31 March 2021 and 1 April 2021	2,558	4,967	1	7,526
Additions	–	54	–	54
Disposals	–	(10)	–	(10)
At 31 March 2022	2,558	5,011	1	7,570
<b>Accumulated depreciation</b>				
At 1 April 2020	2,533	2,573	626	5,732
Charge for the year	14	963	–	977
Written back on disposals	–	(944)	(625)	(1,569)
At 31 March 2021 and 1 April 2021	2,547	2,592	1	5,140
Charge for the year	11	972	–	983
Written back on disposals	–	(7)	–	(7)
At 31 March 2022	2,558	3,557	1	4,399
<b>Net book value</b>				
At 31 March 2022	–	1,454	–	1,454
At 31 March 2021	11	2,375	–	2,386

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

### 12. RIGHT-OF-USE ASSETS

	<b>Office premises leased for own use, carried at depreciated cost</b>
	<i>HK\$'000</i>
<b>Cost</b>	
At 1 April 2020	4,174
Additions	859
Exchange differences	11
	<hr/>
At 31 March 2021 and 1 April 2021	5,044
Additions	5,499
Disposals	(5,037)
Exchange differences	(107)
	<hr/>
At 31 March 2022	5,399
	<hr/>
<b>Accumulated depreciation</b>	
At 1 April 2020	1,165
Charge for the year	2,061
Exchange differences	(8)
	<hr/>
At 31 March 2021 and 1 April 2021	3,218
Charge for the year	2,481
Written back on disposals	(5,037)
Exchange differences	(26)
	<hr/>
At 31 March 2022	636
	<hr/>
<b>Net book value</b>	
At 31 March 2022	4,763
	<hr/>
At 31 March 2021	1,826
	<hr/>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

### 12. RIGHT-OF-USE ASSETS (CONTINUED)

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

	2022 HK\$'000	2021 HK\$'000
Depreciation charge of right-of-use assets		
– Office premises leased for own use	2,481	2,061
Interest on lease liabilities (note 6(a))	64	122
Expenses related to short-term leases	503	11

During the year, additions to right-of-use assets were HK\$5,499,000 (2021: HK\$859,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements. Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 17(c) and 21 respectively.

#### Other properties leased for own use

The Group has obtained the right to use other properties as its office through tenancy agreements. The leases typically run for an initial period of 2 years.

### 13. INVESTMENTS IN SUBSIDIARIES

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

Name of subsidiary	Place of incorporation	Place of operation	Issued and paid up share capital/ registered capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the company	Held by a subsidiary	
Knit World International Limited	Hong Kong	Hong Kong	Ordinary shares HK\$4,000,000	100%	–	100%	Apparel supply chain management services
Speed Apparel (BVI) Limited	BVI	Hong Kong	Ordinary shares US\$101	100%	100%	–	Investment holding
Speed Apparel (HK) Limited	Hong Kong	Hong Kong	Ordinary shares HK\$10,000	100%	–	100%	Apparel supply chain management services

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

### 13. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation	Place of operation	Issued and paid up share capital/ registered capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the company	Held by a subsidiary	
尚捷時(深圳)貿易有限公司	The PRC	The PRC	Registered capital RMB800,000	100%	–	100%	Apparel supply chain Management services
Speed Apparel Japan 合同会社	Japan	Japan	Registered capital Japanese Yen ("JPY") 5,500,000	100%	–	100%	Design and customers account services
Speed GarmentZ Limited	Hong Kong	Hong Kong	Ordinary shares HKD10,000	100%	–	100%	Investment holding
Progress Ahead Holdings Limited	BVI	Hong Kong	Ordinary shares US\$100	100%	–	100%	Investment holding
EPS Innovative Medicine (Hong Kong) Limited	Hong Kong	Hong Kong	Ordinary shares HK\$10,000	100%	100%	–	Investment holding
EPD Hong Kong Limited	Hong Kong	Hong Kong	Ordinary shares HK\$4,200,000	51%	–	51%	Investment holding
EPD 株式会社	Japan	Japan	Registered capital JPY15,000,000	51%	–	51%	Development of new drugs services
EPS 創藥株式会社	Japan	Japan	Registered capital JPY50,000,000	100%	–	100%	Medical consultancy services
FEF 創藥株式会社	Japan	Japan	Registered capital JPY50,050,000	100%	–	100%	Development of new drugs services

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

### 14. OTHER FINANCIAL ASSETS

On 30 August 2021, the Group entered into a limited partnership agreement, pursuant to which the Group, as a limited partner, has undertaken to invest JPY100,000,000 (equivalent to approximately HK\$7,100,000) in the limited partnership ("The Limited Partnership") (as at 31 March 2021: HK\$Nil).

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

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

As at 31 March 2022, the unpaid capital commitment on investment in the Limited Partnership is JPY50,000,000 (equivalent to HK\$3,200,000) (2021: HK\$Nil). During the year ended 31 March 2022, net unrealised fair value loss on the Limited Partnership of approximately HK\$563,000 (2021: HK\$Nil), was recognised in the consolidated statement of profit or loss.

### 15. INVENTORIES

	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
Raw materials	<b>4,662</b>	2,400
Work-in-progress	<b>4,744</b>	3,557
	<b>9,406</b>	5,957

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
Carrying amount of inventories sold	<b>362,101</b>	351,414

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

### 16. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade debtors and bills receivable, net of loss allowance	12,212	38,536
Deposits and other receivables	6,081	873
Prepayments	12,023	4,960
	<b>30,316</b>	44,369

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

#### Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
1 - 30 days	11,052	17,105
31 - 60 days	862	8,449
61 - 90 days	165	12,893
Over 90 days	133	49
	<b>12,212</b>	38,536

Trade debtors and bills receivable are due within 30 to 90 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 26(b).

### 17. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

#### (a) Cash and cash equivalents comprise:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Deposits with banks	8,537	–
Cash at bank	189,413	85,235
	<b>197,950</b>	85,235

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

## 17. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

### (b) Reconciliation of liabilities arising from financing activities:

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

	Note	Lease liabilities HK\$'000	Bank borrowings HK\$'000	Amount due to a related party HK\$'000	Total HK\$'000
<b>At 1 April 2020</b>		3,194	–	–	3,194
<b>Changes from financing cash flows:</b>					
Capital element of lease rentals paid		(2,184)	–	–	(2,184)
Interest element of lease rentals paid		(122)	–	–	(122)
Proceeds from bank borrowings		–	10,955	–	10,955
Repayment of bank borrowings		–	(10,447)	–	(10,447)
Interest paid		–	(14)	–	(14)
<b>Other changes:</b>					
Increase in lease liabilities from entering into new leases during the year		859	–	–	859
Finance costs	5(a)	122	14	–	136
Exchange difference		19	–	–	19
<b>At 31 March 2021 and 1 April 2021</b>		<b>1,888</b>	<b>508</b>	<b>–</b>	<b>2,396</b>
<b>Changes from financing cash flows:</b>					
Capital element of lease rentals paid		(2,527)	–	–	(2,527)
Interest element of lease rentals paid		(64)	–	–	(64)
Proceeds from bank borrowings		–	1,124	–	1,124
Repayment of bank borrowings		–	(1,632)	–	(1,632)
Interest paid		–	(4)	–	(4)
Proceeds from a related company		–	–	100,000	100,000
<b>Other changes:</b>					
Increase in lease liabilities from entering into new leases during the year		5,499	–	–	5,499
Finance costs	5(a)	64	4	3,696	3,764
Contribution from shareholder for providing interest free borrowings	28(a)(iii)	–	–	(9,993)	(9,993)
Exchange difference		(82)	–	–	(82)
<b>At 31 March 2022</b>		<b>4,778</b>	<b>–</b>	<b>93,703</b>	<b>98,481</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

### 17. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

#### (c) Total cash outflow for leases:

Amounts included in the cash flow statement for leases comprise the following:

	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Within financing cash flows	<b>2,591</b>	2,306

These amounts relate to the following:

	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Lease rentals paid	<b>2,591</b>	2,306

### 18. PLEDGED BANK DEPOSIT

There was no pledged bank deposit as at 31 March 2022. As at 31 March 2021, the Group entered into two banking facilities agreements with the amount in aggregate up to approximately HK\$53,400,000. Bank deposit of HK\$8,137,000 was pledged to secure the facilities.

### 19. TRADE AND OTHER PAYABLES

	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Trade payables	<b>12,371</b>	9,598
Accrued subcontracting charges	<b>2,482</b>	2,528
Accrued staff costs	<b>861</b>	99
Accrued expenses	<b>5,828</b>	2,424
Other payables	<b>1,131</b>	847
	<b>22,673</b>	15,496

All trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

### 19. TRADE AND OTHER PAYABLES (CONTINUED)

The credit period on purchase of goods is ranging from 30 to 45 days. As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
1 – 30 days	<b>6,867</b>	9,064
31 – 60 days	<b>1,485</b>	483
61 – 90 days	<b>3,040</b>	40
Over 90 days	<b>979</b>	11
	<b>12,371</b>	9,598

### 20. BANK BORROWINGS

	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Secured bank loan	–	508
Within 1 year or on demand	–	508

Bank borrowings are arranged at fixed interest rates. Bank borrowings are secured by a charge over the pledged bank deposit.

At 31 March 2022, the Group does not has available undrawn borrowing facility (2021: HK\$52,892,000).

### 21. LEASE LIABILITIES

At 31 March 2022, the lease liabilities were repayable as follows:

	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Within 1 year	<b>2,679</b>	1,888
After 1 year but within 2 years	<b>2,099</b>	–
	<b>4,778</b>	1,888

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

### 22. EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000 (2021: HK\$30,000). Contributions to the plan vest immediately.

Employees engaged by the Group outside Hong Kong are covered by appropriate local defined contribution retirement schemes pursuant to the local labour rules and regulations.

### 23. INCOME TAX IN THE CONSOLIDATION STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents

	2022 HK\$'000	2021 HK\$'000
<b>Hong Kong Profits Tax</b>		
Provision for Hong Kong Profits Tax for the year	1,409	574
Provisional Profits Tax paid	(164)	(4,220)
Balance of Profits Tax provision relating to prior years	(1,821)	329
<b>Overseas tax</b>	540	60
	<b>(36)</b>	<b>(3,257)</b>

## 23. INCOME TAX IN THE CONSOLIDATION STATEMENTS OF FINANCIAL POSITION

(CONTINUED)

### (b) Deferred tax assets and liabilities recognised:

#### (i) Movement of each component of deferred tax assets and liabilities

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

	<b>Depreciation allowances in excess of the related depreciation</b>
	<i>HK\$'000</i>
At 1 April 2020	160
Credited to profit or loss	(30)
At 31 March 2021 and 1 April 2021	130
Credited to profit or loss	(92)
<b>At 31 March 2022</b>	<b>38</b>

#### (ii) Reconciliation to the consolidated statement of financial position

	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net deferred tax liability recognised in the consolidated statement of financial position	<b>38</b>	130

### (c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$16,051,000 (2021: HK\$Nil) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The cumulative tax losses of HK\$11,650,000 (2021: HK\$Nil) will expire within 10 years and HK\$4,401,000 do not expire under current tax legislation.

### (d) Deferred tax liabilities not recognised

At 31 March 2022, temporary differences relating to the undistributed profits of subsidiaries amounted to HK\$2,738,000 (2021: HK\$1,138,000). Deferred tax liabilities of HK\$452,000 (2021: HK\$188,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

### 24. SHARE CAPITAL

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

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 31 March 2021 and 31 March 2022	1,000,000,000	10,000
<i>Issued and fully paid:</i>		
At 31 March 2021 and 31 March 2022	500,000,000	5,000

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

### 25. RESERVES AND DIVIDEND

#### (a) Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

#### (b) Movements of the reserves of the Company

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2020	47,656	13,791	61,447
Loss for the year	–	(500)	(500)
At 31 March 2021 and 1 April 2021	47,656	13,291	60,947
Loss for the year	–	(6,680)	(6,680)
At 31 March 2022	47,656	6,611	54,267

#### (c) Nature and purpose of reserves

##### (i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

The application of share premium is governed by Section 34 of Cayman Companies Act and the provision of the Company's memorandum and articles association.

## 25. RESERVES AND DIVIDEND (CONTINUED)

### (c) Nature and purpose of reserves (Continued)

#### (ii) Special reserve

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

#### (iii) Capital reserve

Capital reserve represents the difference between the nominal value of the one share of the Company issued as part of the reorganisation to acquire Knit World International Limited, a subsidiary of the Company, from Mr. Chan and the nominal value of the then issued share capital of Knit World.

#### (iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(p) to the consolidated financial statements.

#### (v) Other reserve

Other reserve represents the shareholder contribution for providing an interest free borrowings to the Company in connection with sales and purchase agreement set out in note 28(a)(iii).

### (d) Dividend

#### (i) Dividend payable to equity shareholders of the Company attributable to the year

	2022 HK\$'000	2021 HK\$'000
Final dividend proposed after the end of the reporting period of Nil HK cent per ordinary share (2021: Nil)	–	–

(ii) No final dividend in respect of the financial year ended 31 March 2022 was approved and paid during the year (2021: Nil).

### (e) Capital management

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

## 25. RESERVES AND DIVIDEND (CONTINUED)

### (e) Capital management (Continued)

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

At 31 March 2022, the Group did not have any bank borrowings (2021: HK\$508,000). As at 31 March 2022, the Group has outstanding notes and interest-free revolving loan amounting to HK\$93,703,000 (2021: HK\$Nil) issued to a related party, Speed Development Co. Ltd, the former controlling shareholder of the Group, in relation to the terms and conditions of the sale and purchase agreement as discussed in note 28(a)(iii). The Group had bank deposits and cash balance as at 31 March 2022 amounting to approximately HK\$197,950,000 (2021: HK\$85,235,000).

## 26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to currency, credit, liquidity and interest rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

### (a) Currency risk

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

The Group has no significant exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Since HK\$ is pegged to US\$, the risk of volatility between US\$ and HK\$ is limited and the Directors of the Company consider that the currency risk is not significant. Accordingly, no sensitivity analysis for the currency risk of HK\$ is presented.

### (b) Credit risk

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

## 26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(CONTINUED)

### (b) Credit risk (Continued)

#### **Trade receivables**

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group has significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 24% (2021: 67%) and 59% (2021: 96%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the garment segment.

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

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

No loss allowance was recognised for 31 March 2022 and 2021.

### (c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses, participation in supplier finance arrangements with banks and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

### 26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(CONTINUED)

#### (c) Liquidity risk (Continued)

	2022				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount at 31 March
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other payables	22,673	-	-	22,673	22,673
Amount due to a related party	21,666	21,666	56,668	100,000	93,703
Lease liabilities	2,771	2,119	-	4,890	4,778
	<b>47,110</b>	<b>23,785</b>	<b>56,668</b>	<b>127,563</b>	<b>121,154</b>

  

	2021		
	Contractual undiscounted cash outflow		
	Within 1 year or on demand	Total	Carrying amount at 31 March
	HK\$'000	HK\$'000	HK\$'000
Trade and other payables	15,496	15,496	15,496
Bank borrowings	510	510	508
Lease liabilities	1,919	1,919	1,888
	<b>17,925</b>	<b>17,925</b>	<b>17,892</b>

#### (d) Interest rate risk

The Group's interest rate risk arises primarily from cash at bank, bank deposits, lease liabilities and floating rate short-term borrowings.

Lease liabilities at fixed rates expose the Group to fair value interest rate risk. The effective interest rate of the Group's lease liabilities as at 31 March 2022 is 2.76% (2021: 4.06%).

Borrowings issued at floating rates expose the Group to cash flow interest rate risk. The Group did not have any interest bearing borrowing as at 31 March 2022. The effective interest rate of the Group's secured bank loan as at 31 March 2021 was 4.06%.

The Group's exposure to interest rate risk is not significant.

## 26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(CONTINUED)

### (e) Fair value measurement

#### (i) Financial assets and liabilities measured at fair value

##### Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value	Fair value measurements			Fair value	Fair value measurements		
	at 31 March	as at 31 March 2022 categorised into			at 31 March	as at 31 March 2021 categorised into		
	2022	Level 1	Level 2	Level 3	2021	Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Recurring fair value measurements</b>								
Assets:								
Other financial assets	2,977	-	-	2,977	-	-	-	-

During the years ended 31 March 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

##### Information about Level 3 fair value measurements

The fair values of other investments are determined with reference to the fair value of the underlying financial assets which are market unobservable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

### 26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(CONTINUED)

(e) **Fair value measurement** (Continued)

(i) **Financial assets and liabilities measured at fair value** (Continued)

*Information about Level 3 fair value measurements (Continued)*

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

	2022 HK\$'000	2021 HK\$'000
Unlisted equity securities:		
At 1 April	–	–
Payment for purchases	3,540	–
Changes in fair value recognised in profit or loss during the year	(563)	–
At 31 March	2,977	–

The losses arising from the remeasurement of the financial assets measured at FVPL are presented in the “Other (loss)/income” line item in the consolidated statement of profit or loss.

(ii) **Fair value of financial assets and liabilities carried at other than fair value**

The carrying amounts of the Group’s financial instruments carried at amortised cost were not materially different from their fair values as at 31 March 2022 and 2021.

### 27. COMMITMENTS

Capital commitments outstanding at 31 March 2022 not provided for in the financial statements were as follows:

	2022 HK\$'000	2021 HK\$'000
Contracted for Investments in Limited Partnership (note 14)	3,200	–

## 28. MATERIAL RELATED PARTY TRANSACTIONS

### (a) Related party transaction

#### (i) *Leasing arrangement*

During the year, a subsidiary of the Group leased a property from Firenze Apparel Limited (“**Firenze**”). Firenze is a company beneficially owned by Mr Chan (former controlling shareholder and CEO of garment business). Mr Chan is a director of Firenze. Depreciation of the right-of-use assets and interest expense on lease liabilities incurred during the year amounted to HK\$1,131,000 (2021: HK\$1,123,000) and HK\$28,000 (2021: HK\$73,000) respectively. During the year, such tenancy agreement was renewed and additions of right-of-use assets and lease liabilities of HK\$2,337,000 were recognised on the date of renewal.

At 31 March 2022, the Group recognised right-of-use assets and lease liabilities of HK\$2,143,000 (2021: HK\$936,000) and HK\$2,147,000 (2021: HK\$982,000) respectively.

Also, during the year, a subsidiary of the Group leased a property, Mr. Yan Hao (controlling shareholder of ultimate holding company) is the ultimate beneficial owner of the property. Depreciation of the right-of-use assets and interest expense on lease liabilities incurred during the year amounted to HK\$227,000 (2021: HK\$Nil) and HK\$12,000 (2021: HK\$Nil) respectively. During the year, such tenancy agreement was signed and additions of right-of-use assets and lease liabilities of HK\$1,776,000 were recognised on the date of agreement.

At 31 March 2022, the Group recognised right-of-use assets and lease liabilities of HK\$1,458,000 (2021: HK\$Nil) and HK\$1,463,000 (2021: HK\$Nil) respectively.

#### (ii) *Sharing of administrative services arrangement*

During the year, three Japan subsidiaries of the Group shared administrative services with ultimate holding company. Administrative expenses incurred during the year amounted to HK\$5,729,000 (2021: HK\$Nil).

#### (iii) *Borrowing and profit guarantee in relation to a sale and purchase agreement*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

## 28. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) Related party transaction (Continued)

#### (iii) **Borrowing and profit guarantee in relation to a sales and purchase agreement** (Continued)

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

The amount due to Speed Development Co. Ltd is initially measured at fair value and subsequently measured at amortised cost. The amount due to Speed Development Co. Ltd is HK\$93,703,000 at 31 March 2022 (2021: HK\$Nil). The profit guarantee adjustment will be recorded by the Group after the contractual right to receive the related benefit is established. The Group did not record any profit guarantee adjustment during the year ended 31 March 2022 (2021: HK\$Nil).

### (b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries and other benefits	6,654	5,376
Retirement benefit scheme and contributions	111	90
	<b>6,765</b>	<b>5,466</b>

Total remuneration is included in "staff costs" (see note 6(b)).

### (c) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of note 28(a) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, the transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

## 29. IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTY

In the opinion of the Directors of the Company, the immediate and ultimate holding company is EPS Holdings, Inc. ("**EPS HD**"), a company incorporated in Japan with limited liability, the issued shares of which were listed on the Tokyo Stock Exchange until its subsequent privatisation on 17 September 2021. This entity does not produce financial statements available for public use.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

## 30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>		
Investment in a subsidiary	11	1
	<b>11</b>	1
<b>Current assets</b>		
Prepayments, deposits and other receivables	178	166
Amounts due from subsidiaries	38,813	60,995
Cash and cash equivalents	86,794	5,077
	<b>125,785</b>	66,238
<b>Current Liabilities</b>		
Accruals and other payables	1,747	292
Amounts due to subsidiaries	64,782	–
	<b>66,529</b>	292
<b>Net current assets</b>	<b>59,256</b>	65,946
<b>Net assets</b>	<b>59,267</b>	65,947
<b>Capital and reserves</b>		
Share capital	5,000	5,000
Reserves	54,267	60,947
<b>Total equity</b>	<b>59,267</b>	65,947

Approved and authorised for issue by the board of directors on 29 June 2022.

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Gao Feng style="text-align: right;">)

) Directors

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Haribayashi Keikyo style="text-align: right;">)

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

## 31. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

### (a) Equity investment

In April 2022, the Group and Immunomedicine, Inc. ("IM2D") entered into a Basic Agreement on business alliance including capital investment for joint development of certain biotech product. Pursuant to the agreement, EPS Innovative Medicine (Hong Kong) Limited, a wholly-owned subsidiary of the Company, has allotted 133 common stock shares and will allot 166 Series B third-party shares for total consideration of approximately JPY100 million.

### (b) Waiver of notes

The revenue and profit after tax of the Group attributable to the garment business for the year ended 31 March 2022 is HK\$424,638,325 and HK\$9,457,338 respectively while current year revenue target and profit target is HK\$240,000,000 and HK\$10,000,000 respectively.

As the profit after tax is lower than the guaranteed profit pursuant to the sale and purchase agreement dated 26 April 2021 (the "Agreement") and entered into among the EPS Holdings, Inc. (the "Purchaser"), Speed Development Co. Ltd (the "Vendor") and Mr. Chan Wing Kai in relation to the sale and purchase of an aggregate of 375,000,000 ordinary shares in the share capital of the Company, details of which are set out in the composite document of the Company and the Purchaser dated 26 May 2021 (the "Composite Document"), the Vendor and the Guarantor were required to compensate the Company by waiving a portion of the unsecured interest-free non-transferrable notes due on 30 June 2022 issued by Speed Apparel (BVI) Limited, a wholly-owned subsidiary of the Company, in favour of the Vendor, pursuant to the terms and conditions set out in the Agreement, details of which are set out in the Composite Document. As such, HK\$542,662 out of HK\$21,666,000 of the Notes will be waived.

## 32. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments to HKFRSs which are not yet effective for the year ended 31 March 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 3, <i>Reference to the conceptual framework</i>	1 January 2022
Amendments to HKAS 16, <i>Property, plant and equipment: Proceeds before intended use</i>	1 January 2022
Amendments to HKAS 37, <i>Onerous contracts — cost of fulfilling a contract</i>	1 January 2022
Annual improvements to HKFRSs 2018-2020 cycle	1 January 2022
Amendments to HKAS 1, <i>Classification of liabilities as current or non-current</i>	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, <i>Disclosure of accounting policies</i>	1 January 2023
Amendments to HKAS 8, <i>Definition of accounting estimates</i>	1 January 2023
Amendments to HKAS 12, <i>Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of the above is unlikely to have a significant impact on the Group's results of operations and financial position.

## 33. COMPARATIVE FIGURES

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



## FIVE-YEAR FINANCIAL SUMMARY OF THE GROUP

(Expressed in Hong Kong dollars)

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	<b>424,656</b>	405,445	537,408	433,004	390,423
(Loss)/profit before tax	<b>(16,621)</b>	7,136	27,800	32,723	17,309
Income tax expense	<b>(1,794)</b>	(631)	(5,065)	(5,489)	(3,225)
(Loss)/profit for the year	<b>(18,415)</b>	6,505	22,735	27,234	14,084

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current assets	<b>238,732</b>	146,955	152,532	140,663	118,690
Non-current assets	<b>10,188</b>	4,212	5,847	3,537	1,687
Total assets	<b>248,920</b>	151,167	158,379	144,200	120,377
Current liabilities	<b>47,808</b>	17,892	30,243	31,977	27,824
Non-current liabilities	<b>74,408</b>	130	1,606	310	262
Total liabilities	<b>122,216</b>	18,022	31,849	32,287	28,086
Net assets	<b>126,704</b>	133,145	126,530	111,913	92,291
<b>Equity</b>					
Equity attributable to owners of the Company	<b>126,704</b>	133,145	126,530	111,913	92,291