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SPEED APPAREL HOLDING LIMITED

尚捷集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3860.HK)



EPS HOLDINGS, INC.

(Incorporated in Japan with limited liability)

(Stock code: 4282.T)

JOINT ANNOUNCEMENT

- (1) ACQUISITION OF SALE SHARES IN SPEED APPAREL HOLDING LIMITED BY EPS HOLDINGS, INC.;**
(2) UNCONDITIONAL MANDATORY CASH OFFER BY



MERDEKA SECURITIES LIMITED

FOR AND ON BEHALF OF EPS HOLDINGS, INC. FOR ALL THE ISSUED SHARES IN SPEED APPAREL HOLDING LIMITED (OTHER THAN THOSE ALREADY OWNED BY EPS HOLDINGS, INC. AND PARTIES ACTING IN CONCERT WITH IT);

- (3) FORMATION OF JOINT VENTURE;**
(4) PROPOSED CHANGE OF COMPANY NAME;
AND
(5) RESUMPTION OF TRADING

Financial adviser to Speed Apparel Holding Limited

RED SUN CAPITAL LIMITED



红日资本有限公司
RED SUN CAPITAL LIMITED

Financial adviser to EPS Holdings, Inc.



Merdeka Corporate Finance Limited

Reference is made to the announcement of the Company dated 26 March 2021 pursuant to Rule 3.7 of the Takeovers Code with regards to the possible transaction involving the sale and purchase of all or part of the Shares currently beneficially held by the Guarantor.

1. THE S&P AGREEMENT

On 26 April 2021 (after trading hours of the Stock Exchange), the Purchaser, the Vendor and the Guarantor entered into the S&P Agreement pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire a total of 375,000,000 Sale Shares for a total cash consideration of HK\$370,500,000 (equivalent to HK\$0.988 per Sale Share).

The S&P Agreement was unconditional and the S&P Completion took place upon the execution of the S&P Agreement on 26 April 2021.

The Vendor and the Guarantor provided the Profit Guarantee in favour of the Purchaser under the S&P Agreement.

2. UNCONDITIONAL MANDATORY CASH OFFER

Immediately before the S&P Completion, the Purchaser and the parties acting in concert with it were not interested in any Shares. Immediately upon the S&P Completion and as at the date of this joint announcement, the Purchaser and the parties acting in concert with it are interested in 375,000,000 Shares, representing 75% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror (the Purchaser) will therefore be required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and the parties acting in concert with it).

The Offer

Merdeka Securities will make the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

For every Offer Share HK\$0.988 in cash

The Offer Price of HK\$0.988 per Offer Share is the same as the price per Sale Share paid by the Purchaser under the S&P Agreement.

The Offer will be unconditional in all respects. The principal terms of the Offer are set out in the section headed “Principal terms of the Offer” in this joint announcement.

WARNING

The Directors make no recommendation as to the fairness or reasonableness of the Offer or as to the acceptance of the Offer in this joint announcement, and strongly recommend the Independent Shareholders not to form a view on the Offer unless and until they have received and read the Composite Document, including the recommendations of the Independent Board Committee in respect of the Offer and a letter of advice from the Independent Financial Adviser.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

ADVICE FOR THE INDEPENDENT SHAREHOLDERS

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the Offer is fair and reasonable and as to its acceptance. The Independent Financial Adviser will be appointed to advise the Independent Board Committee in respect of the Offer. Further announcement(s) will be made upon the appointment of the Independent Financial Adviser.

DESPATCH OF THE COMPOSITE DOCUMENT

It is the intention of the Offeror and the Company to combine the offer document with the offeree board circular from the Company in a composite offer and response document. In accordance with Rule 8.2 of the Takeovers Code, the Composite Document containing, among other things: (i) details of the Offer (including the expected timetable); (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Offer; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offer, together with the relevant forms of acceptance and transfer, is required to be despatched to the Shareholders within 21 days of the date of this joint announcement or such later date as the Executive may approve. It is expected that the Composite Document will be issued on or before 26 May 2021.

3. FORMATION OF JOINT VENTURE

On 5 May 2021, the Company entered into the JV Agreement with the JV Partner, an independent third party not connected with the Company and its connected persons, the Vendor and the Guarantor and parties acting in concert with any one of them and not acting in concert with the Offeror and its concert parties, to form a joint venture to be owned as to 51% by the Company and 49% by the JV Partner and the Joint Venture will be principally engaged in a screening business in Japan and Mainland China on drugs for Parkinson's

disease and brown adipose cell relating to weight loss and screening of functional food business, and business relating to the application of autologous brown adipose cell in the treatment of weight loss cells.

4. PROPOSED CHANGE OF COMPANY NAME

The Board proposes to change the English name of the Company from “Speed Apparel Holding Limited” to “EPS Creative Health Technology Group Limited” and the Chinese name of the Company from “尚捷集團控股有限公司” to “EPS 創健科技集團有限公司”. The Proposed Change of Company Name is subject to the Name Change Conditions. The Proposed Change of Company Name is subject to the fulfilment of the conditions as set out in the paragraph headed “Conditions for the Proposed Change of Company Name” in this joint announcement. An EGM will be convened and held for the purposes of considering and, if thought fit, approving, the special resolution in respect of the Proposed Change of Company Name.

5. TRADING HALT AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 27 April 2021 pending the release of this joint announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 6 May 2021.

Reference is made to the announcement of the Company dated 26 March 2021 pursuant to Rule 3.7 of the Takeovers Code with regards to the possible transaction involving the sale and purchase of all or part of the Shares currently beneficially held by the Guarantor.

1. THE S&P AGREEMENT

On 26 April 2021 (after trading hours of the Stock Exchange), the Purchaser, the Vendor and the Guarantor entered into the S&P Agreement in relation to the sale and purchase of the Sale Shares. The principal terms of the S&P Agreement are as follow:

Date

26 April 2021

Parties

Purchaser : EPS Holdings, Inc.

Vendor : Speed Development Co. Ltd

Guarantor : Mr. Chan Wing Kai

The Purchaser is a company incorporated in Japan with limited liability and whose issued shares are listed on the Tokyo Stock Exchange (stock code: 4282.T). The principal business activities of the Purchaser include the provision of contract research organisation (CRO), site management organisation (SMO), contract sales organisation (CSO), and other related services for pharmaceutical and medical device development in Japan and Asia. Immediately after the S&P Completion and as at the date of this joint announcement, the Purchaser and its concert parties are interested in 375,000,000 Shares, representing 75% of the issued share capital of the Company.

It is the intention of the Purchaser to earmark 40,000,000 Sale Shares (equivalent to 8% of the issued share capital of the Company) to be placed in a trust (which will be acting in concert with the Purchaser) for the benefits of any persons who may contribute to the Company including, but not limited to, directors, staff, consultants and advisors of the Purchaser, its subsidiaries and associated companies after the close of the Offer. The Purchaser has no intention to include any existing Shareholder and Directors as beneficiaries of said trust. As at the date of this joint announcement, the Purchaser has not identified any individuals to be beneficiaries of the trust.

The Purchaser is in the process of establishing the trust and identifying suitable candidates to act in the capacity of trustee of the trust. Save as the Purchaser is in the process of identifying suitable candidates to act as trustee of the trust, no agreement has been made or in contemplation with regards to any terms of the trust. Further announcement will be made to update on the progress of the establishment of the trust.

The Vendor is a company incorporated in the British Virgin Islands with limited liability and the entire issued share capital of which is owned by the Guarantor.

The Guarantor has agreed to unconditionally and irrevocably undertake to the Purchaser to procure the due and punctual performance by the Vendor of all the obligations expressed to be imposed on or assumed by it under the S&P Agreement and undertakes to indemnify and keep effectively indemnified the Purchaser against all liabilities, losses, damages, costs and expenses stipulated under the S&P Agreement.

Subject of the S&P Agreement

Pursuant to the S&P Agreement, the Vendor has agreed to sell and the Purchaser has agreed to acquire 375,000,000 Sale Shares for an aggregate consideration of HK\$370,500,000 (equivalent to HK\$0.988 per Share), representing 75% of the issued share capital of the Company as at the date of the S&P Agreement and this joint announcement.

The Sale Shares had been sold free from all encumbrances together with all rights attaching thereto as at the date of the S&P Completion including but not limited to all dividends declared, paid or made on or after the date of the S&P Completion.

The Company did not declare any interim dividend for the six months ended 30 September 2020. The Company has no intention to make, declare or pay any future dividend/distribution until the close of the Offer.

Consideration

The total consideration for the Sale Shares is HK\$370,500,000 (equivalent to HK\$0.988 per Sale Share) which has been agreed between the Purchaser and the Vendor after arm's length negotiations taking into account of the recent trading prices of the Shares and the Profit Guarantee. The total consideration for the Sale Shares has been settled in full by the Purchaser in the following manner upon the S&P Completion:

- (a) as to HK\$270,500,000 settled through CCASS on a delivery versus payment basis to the CCASS participant's stock account nominated by the Vendor; and
- (b) as to HK\$100,000,000 settled by the Purchaser transferring to the bank account of the Company through inter-bank transfer as advances by the Vendor to the Existing Group as principal of the Notes and as the Revolving Facility.

The registered holder of the CCASS participant's stock account is the Vendor, with its ultimate beneficial owner being the Guarantor.

Save as the consideration paid by the Offeror to the Vendor under the S&P Agreements, there is no other consideration, compensation or benefits in whatever form provided by the Offeror or its concert parties to each of the Vendor or their respective concert parties.

S&P Completion

The S&P Agreement was unconditional and the S&P Completion took place upon the execution of the S&P Agreement on 26 April 2021.

The shareholding structure of the Company immediately before and after the S&P Completion are as follows:

	Immediately before the S&P Completion		Immediately after the S&P Completion and as at the date of this joint announcement	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
The Vendor (<i>Note 1</i>)	375,000,000	75.0	–	–
The Offeror and parties acting in concert with it (<i>Note 3</i>)	–	–	375,000,000	75.0

	Immediately before the S&P Completion		Immediately after the S&P Completion and as at the date of this joint announcement	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Public Shareholders	125,000,000	25.0	125,000,000	25.0
Total	500,000,000	100.0	500,000,000	100.0

Notes:

- The entire issued share capital of the Vendor is owned by the Guarantor.*
- The Company has no outstanding options or warrants convertible into Shares as at the date of this joint announcement.*
- Includes the 40,000,000 Shares (equivalent to 8% of the issued share capital of the Company) earmarked by the Offeror to be placed in a trust (which will be acting in concert with the Offeror) for the benefits of any persons who may contribute to the Company including, but not limited to, directors, staff, consultants and advisors of the Purchaser, its subsidiaries and associated companies after the close of the Offer.*

Notes and Revolving Facility

Pursuant to the S&P Agreement, the Vendor and the Guarantor have agreed to provide working capital to the Existing Group of up to HK\$100,000,000 during the Profit Guarantee Period (as defined below) by way of (i) cash in the aggregate amount of HK\$65,000,000 as principal of the Notes; and (ii) the Revolving Facility up to 31 March 2024.

The arrangement for the Vendor to provide working capital to the Existing Group through the Notes and the Revolving Facility is to secure the Profit Guarantee while it can also ensure the existing business of the Group would not be adversely affected by lack of cash flow during the Profit Guarantee Period which in turn would affect the Profit Guarantee, in particular, given the uncertainty over the post COVID-19 global economic condition in the mid to long term, it is of foremost importance that funding is secured for the Existing Group to deliver results that would satisfy the Profit Guarantee.

The Notes and the Revolving Facility are interest free and unsecured. Pursuant to the terms of the Notes, the Notes are not transferable and cannot be converted into Shares. The Vendor cannot demand for repayment of the outstanding amount of the Revolving Facility prior to the due date which is 31 March 2024. Neither the Notes nor the Revolving Facility have provided

for any default interest. In the event of any judgment obtained by the Vendor against the Group for default of the Notes and/or the Revolving Facility, the Group may be subject to any default interest as determined by the judge.

The First Year Note is due on 30 June 2022, the Second Year Note is due on 30 June 2023 and the Third Year Note is due on 30 June 2024.

The principal of each of the First Year Note and the Second Year Note is HK\$21,666,000 divided into part A portion of HK\$11,666,000 and part B portion of HK\$10,000,000. The principal of the Third Year Note is HK\$21,668,000 divided into part A portion of HK\$11,668,000 and part B portion of HK\$10,000,000.

Profit Guarantee

Pursuant to the S&P Agreement, each of the Vendor and the Guarantor irrevocably warrants, guarantees and undertakes that (i) the audited consolidated net profit after taxation (excluding any extraordinary items) (the “**Net Profit**”) of the Existing Group shall not be less than HK\$10,000,000 (the “**Guaranteed Profit**”) and (ii) the audited consolidated revenue (the “**Revenue**”) of the Existing Group shall not be less than HK\$240,000,000 (the “**Guaranteed Revenue**”) for each of the three financial years ending 31 March 2024 (the “**Profit Guaranteed Period**”).

In the event that the Net Profit or the Revenue for any of the three years ending 31 March 2024 shall be less than the relevant Guaranteed Profit or the Guaranteed Revenue for the corresponding year, the Vendor and the Guarantor shall compensate the Company by waiving certain amount of the principal of the Notes of the relevant year in the following manner:

Scenarios	Part A portion of the Notes	Part B portion of the Notes
(1) The Net Profit is less than the Guaranteed Profit but more than or equals to 70% of the Guaranteed Profit <u>and</u> the Revenue is more than or equals to the Guaranteed Revenue	No adjustment	Vendor shall waive such amount of the principal of part B portion of the Notes for the relevant year by an amount equals to the difference between the Net Profit and the Guaranteed Profit

Scenarios	Part A portion of the Notes	Part B portion of the Notes
(2) The Net Profit is less than 70% of the Guaranteed Profit (but no loss is recorded) <u>or</u> the Revenue is less than the Guaranteed Revenue	Vendor shall waive the principal of part A portion of the Notes for the relevant year in full	Vendor shall waive such amount of the principal of part B portion of the Notes for the relevant year by an amount equals to the difference between the Net Profit and the Guaranteed Profit
(3) Audited loss (excluding any extraordinary items) is recorded for the Existing Group	Vendor shall waive the principal of part A portion of the Notes for the relevant year in full	Vendor shall waive the principal of part B portion of the Notes for the relevant year in full and shall make monetary compensation to the Company by an amount equals to the audited loss (excluding any extraordinary items)

In order to safeguard its investment, the Purchaser requested, and the Vendor and the Guarantor agreed that the Guaranteed Profit and the Guaranteed Revenue to be inserted as part of the terms of the S&P Agreement. The Vendor and the Guarantor consider that the Existing Group will be able to meet the Guaranteed Profit and the Guaranteed Revenue based on the historical performance of the Group.

Pursuant to Rule 10 of the Takeovers Code, the above Guaranteed Revenue and Guaranteed Profit constitute a profit forecast and should be reported on by the Company's financial adviser and auditors or consultant accountants (the "**Forecast Financial Information**") under Rule 10.4 of the Takeovers Code and in accordance with Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code. Pursuant to Rule 10 of the Takeovers Code, financial advisers must satisfy themselves that the forecast has been prepared by the directors with due care and consideration, and auditors or consultant accountants must satisfy themselves that the forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made.

In compliance with the requirement under Rule 10 of the Takeovers Code, the forecast has been reported on in accordance with the Takeovers Code and the requisite reports from ZHONGHUI ANDA CPA Limited (the “Auditor”), auditor of the Company, and Red Sun Capital Limited (the “Financial Adviser”), financial adviser of the Company, have been lodged with the Executive and attached as appendices to this joint announcement.

The Forecast Financial Information have been prepared based on the historical audited financial information of the Group. The following are the details of the assumptions prepared by the Directors and adopted in the forecast, reviewed by the Auditor and the Financial Adviser pursuant to Rule 10.2 of the Takeovers Code and notes to Rules 10.1 and 10.2 of the Takeovers Code:

(A) *General assumptions*

1. the macro-economic policies, i.e. fiscal policies, monetary policies and exchange rate policies, and the taxation policy in Hong Kong, Japan, the United States of America and the PRC will remain more or less the same;
2. the inflation rate will be in line with the historical trend, i.e. approximately 2% to 3% and the borrowing interest rate accepted by the Group will be maintained at or around current levels;
3. there will be no uncontrollable external events such as war, military dispute, plague or natural disaster that affect the operations of the Group;
4. there will be no abnormal or extraordinary items, such as losses/one-off gains suffered/earned by the Group due to unforeseen events such as natural disasters or government grants, which will worsen or improve the Group’s financial results, respectively, during the forecast period, i.e. the three years ending 31 March 2022, 2023 and 2024.

(B) *Specific assumptions*

1. the Group will be able to maintain the business relationships and existing trading terms with its existing customers and suppliers;
2. the operation of the Group will not be affected due to the shortage of materials;
3. the current level of demand and customer base of the Group which will at least be maintained;
4. the pattern of the seasonality effect of the Group’s sales, i.e. where the Group generally records higher sales from the month of August to January in a financial year, for the three years ending 31 March 2024 will remain unchanged;

5. the staffing levels will be sufficient for the operations of the Group during the forecast period;
6. as vaccines continue to be rolled out in countries of which the Group's customers operate, their respective economics will continue to recover, thereby gradually increasing the demand for the Group's products;
7. the sales volume of the womenswear products, the menswear products and the kidswear products for each of the three years ending 31 March 2024 would be not less than an average of the aggregate quantities of the actual purchase orders for the two years ended 31 March 2021 with considering the purchase orders already placed by customers up to 26 April 2021 and will be delivered as scheduled from April 2021 to October 2021;
8. the accounting policies adopted by the Group would be consistent with those used in the preparation of its annual report for the year ended 31 March 2020 in all material aspects;
9. the Group will have sufficient financial resources to meet its business development requirements during the three years ending 31 March 2024 with considering Revolving Facility provided by the Vendor;
10. the Group will generate annual cash flows during the three years ending 31 March 2024 with reference to the positive cash flow for the year ended 31 March 2020; and
11. the key senior management will continue to involve in the operations of the Existing Group and the Existing Group will be able to retain its key management and personnel.

The Auditor has reviewed the accounting policies and calculations adopted in arriving at the forecast and is of the opinion that, the forecast, so far as the accounting policies and calculations are concerned, has been properly compiled in accordance with the bases and assumptions adopted by the Directors and was presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group in its audited consolidated financial statements for the year ended 31 March 2020.

The Financial Adviser has reviewed the forecast and discussed with the Directors, the management of the Company and the Auditor matters including the basis of the accounting policy adopted by the Directors in preparing the forecast, and is of the opinion that the forecast has been prepared by the Directors with due care and consideration and objectivity, and on a reasonable basis.

2. UNCONDITIONAL MANDATORY CASH OFFER

Immediately upon the S&P Completion and as at the date of this joint announcement, the Purchaser and the parties acting in concert with it are interested in 375,000,000 Shares, representing 75% of the total voting rights in general meeting of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror (the Purchaser) will therefore be required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and the parties acting in concert with it).

Securities of the Company

As at the date of this joint announcement, the Company had a total of 500,000,000 Shares in issue. Save for the aforesaid, there are no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

PRINCIPAL TERMS OF THE OFFER

THE OFFER

Merdeka Securities will make the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

For every Offer Share HK\$0.988 in cash

The Offer Price of HK\$0.988 per Offer Share is the same as the price per Sale Share paid by the Purchaser under the S&P Agreement.

Comparison of value

The Offer Price of HK\$0.988 represents:

- (i) a discount of approximately 45.1% to the closing price of HK\$1.800 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 36.6% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of HK\$1.558 per Share;
- (iii) a discount of approximately 36.2% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of HK\$1.549 per Share;

- (iv) a discount of approximately 15.4% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of HK\$1.168 per Share;
- (v) a premium of approximately 290.5% over the audited consolidated net asset value of the Company of approximately HK\$0.253 per Share as at 31 March 2020; and
- (vi) a premium of approximately 277.1% over the unaudited consolidated net asset value of the Company of approximately HK\$0.262 per Share as at 30 September 2020.

Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing six months immediately preceding the commencement of the offer period (as defined under the Takeovers Code) on 26 March 2021 and ending on the Last Trading Day (both days inclusive), were HK\$1.80 per Share on 26 April 2021 and HK\$0.49 per Share on 30 September 2020, 5 October 2020, 6 October 2020, 7 October 2020, 8 October 2020, 9 October 2020, 12 October 2020, 14 October 2020, 15 October 2020, 16 October 2020, 19 October 2020, 20 October 2020, 21 October 2020, 22 October 2020 and 23 October 2020, respectively.

TOTAL CONSIDERATION OF THE OFFER

On the basis of the Offer Price of HK\$0.988 per Offer Share and 500,000,000 Shares in issue as at the date of this joint announcement, the entire issued share capital of the Company is valued at HK\$494,000,000.

On the basis of 500,000,000 Shares in issue, of which the Offeror holds 375,000,000 Shares immediately after the S&P Completion and as at the date of this joint announcement, the Offer based on the Offer Price is valued at HK\$123,500,000.

Financial resources available for the Offer

The maximum cash consideration payable under the Offer, other than the Shares already held by the Offeror and the parties acting in concert with it, is HK\$123,500,000. The Offeror intends to finance the total consideration payable under the Offer through its own resources.

As at the date of this joint announcement, neither Merdeka Securities nor Merdeka Corporate Finance is a beneficial owner holding any Shares. Merdeka Corporate Finance, being the financial advisor to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the total consideration in respect of full acceptances of the Offer. Neither Merdeka Securities nor Merdeka Corporate Finance has dealt in the Shares and any outstanding options, derivatives, warrants or other securities convertible into Shares during the period commencing six months preceding the commencement of the offer period (as defined under the Takeovers Code) up to and including the date of this joint announcement.

Effect of accepting the Offer

By accepting the Offer, the Shareholders will sell their Shares to the Offeror free from all liens, claims, encumbrances and all third party rights and with all rights attached thereto as at the date of this joint announcement or subsequently becoming attached to them, including the right to receive all dividends declared, paid or made, if any, on or after the date of this joint announcement.

Stamp duty

Seller's ad valorem stamp duty payable by the Shareholders who accept the Offer and calculated at a rate of 0.1% of (i) the market value of the Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable by the Offeror to such person on acceptance of the Offer.

Settlement

Settlement of the consideration for the Offer Shares will be made in cash as soon as possible but in any event within seven (7) Business Days (as defined in the Takeovers Code) of the date on which the relevant documents of title are received by or on behalf of the Offeror (or its agent) to render each such acceptance complete and valid.

Overseas Shareholders

Shareholders who have registered addresses outside Hong Kong and wish to accept the Offer should satisfy themselves as to the full observance of the applicable laws and regulations of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer of other taxes due by such accepting Shareholders in respect of such jurisdiction).

INFORMATION ON THE OFFEROR

The Offeror is 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). The principal business activities of the Offeror include the provision of contract research organisation (CRO), site management organisation (SMO), contract sales organisation (CSO), and other related services for pharmaceutical and medical device development in Japan and Asia. Immediately upon the S&P Completion and as at the date of this joint announcement, the Offeror is interested in a total of 375,000,000 Shares, representing 75% of the entire issued share capital of the Company.

The Offeror is planning to combine smart clothing with healthcare technologies to open up new business opportunities. The Offeror considered that the integration of the Group's expertise in the area of apparel product design and logistics with the Offeror's expertise in application of healthcare technologies will be beneficial to foster the Offeror's expansion into this new business area. In September 2020, the Offeror subscribed for 1.5% shareholding in Xenoma, Inc., a company

incorporated in Japan which is a Tokyo-based smart apparel start-up founded in November 2015 as a University of Tokyo spinoff. Xenoma develops next-generation smart wear and apparel for monitoring health data and tracks body movements via a whole-body sensor network built into regular clothing for daily use.

DEALING AND INTERESTS IN THE COMPANY'S SECURITIES

Save for the transaction under the S&P Agreement, none of the Offeror nor the parties acting in concert with it has dealt in the Shares and any outstanding options, derivatives, warrants or other securities convertible into Shares during the period commencing six months preceding the commencement of the offer period (as defined under the Takeovers Code) up to and including date of this joint announcement.

OTHER ARRANGEMENT

As at the date of this joint announcement,

- (i) save for the 375,000,000 Shares held by the Offeror, none of the Offeror and parties acting in concert with it owns, has control, or direction over any voting rights or rights over Shares or convertible securities, warrants, options of the Company or derivatives of the Company;
- (ii) none of the Offeror and parties acting in concert with it has borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (iii) there are no outstanding derivatives in respect of securities in the Company which has been entered into by the Offeror and parties acting in concert with it;
- (iv) save for the intention of the Purchaser to earmark 40,000,000 Sale Shares (equivalent to 8% of the issued share capital of the Company) to be placed in a trust for the benefits of any persons who may contribute to the Company, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Offeror or the Company which might be material to the Offer;
- (v) there is no agreement or arrangement to which the Offeror or parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a precondition or condition to the Offer;
- (vi) none of the Offeror and parties acting in concert with it has received any irrevocable commitment(s) to accept or reject the Offer, the Note and the Revolving Facility;

- (vii) apart from the consideration for the sale and purchase of the Sale Shares, there is no other consideration, compensation or benefits in whatever form paid or to be paid by the Offeror or any parties acting in concert with it to the Vendor, the Guarantor or any party acting in concert with any one of them in connection with the sale and purchase of the Sale Shares under the S&P Agreement;
- (viii) the Offeror and the Vendor confirm that there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and its concert parties on one hand and the Vendor, the Guarantor and any parties acting in concert with any one of them on the other hand; and
- (ix) there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeover Code) between (i) any Shareholder; and (ii)(a) the Offeror and any parties acting in concert with it or (ii)(b) the Company, its subsidiaries or associated companies.

INFORMATION ON THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are currently listed on the Main Board (stock code: 3860). The Group is principally engaged in apparel supply chain management services selling knitwear apparel products to its customers, with a majority of the Group's sales to Japan. 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.

INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

It is the Offeror's intention to further consolidate its interest in the Company pursuant to the Offer. The Offeror has no intention to introduce major changes to the existing business of the Group, including any redeployment of fixed assets other than those in its ordinary course of business. The intention of the Offeror is that the Company's existing principal activities will be maintained, and at the same time after completion of the Offer, the Offeror will assist the Company in reviewing its business and operations and seek for new investment opportunities, including but not limited to the proposed formation of the Joint Venture, which would complement the principal business of the Purchaser, namely the provision of research services for pharmaceutical and medical device development. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules.

The Offeror will, depending on the business operations and development of the Group in the future, constantly review the employee structure of the Group so as to meet the needs of the Group from time to time. The Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

CHANGES TO THE COMPOSITION OF THE BOARD

As at the date of this joint announcement, the executive Directors are the Guarantor and Mr. Ng Ming Ho; and the independent non-executive Directors are Ms. Chan Siu Lai, Mr. Kwok Chi Shing and Mr. Ma Kwok Fai, Edwin. All of the Directors have tendered their resignation from their respective position and the resignation will take effect from the earliest time permissible under Rule 7 of the Takeovers Code, being the date of close of the Offer or 30 June 2021, whichever is later.

As of the date of this joint announcement, the Company directly or indirectly wholly-owns seven subsidiaries. The Guarantor will remain as a director of these seven subsidiaries and that his roles and responsibilities in these seven subsidiaries will remain the same after the S&P Completion. All terms and conditions of the employment contracts of the Guarantor remain the same.

Further announcement will be published by the Company in respect of the changes to the Board pursuant to the Takeovers Code and the Listing Rules as and when appropriate.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends the issued Shares to remain listed on the Main Board after the close of the Offer.

Pursuant to the Listing Rules, if, at the closing of the Offer, less than 25% of the issued Shares are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

The Offeror will take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offer.

ADVICE FOR THE INDEPENDENT SHAREHOLDERS

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the Offer is fair and reasonable and as to its acceptance. The Independent Financial Adviser will be appointed by the Company after approval by the Independent Board Committee to advise the Independent Board Committee in this regard. Further announcement(s) will be made upon the appointment of the Independent Financial Adviser.

DESPATCH OF THE COMPOSITE DOCUMENT

It is the intention of the Offeror and the Company to combine the offer document with the offeree board circular from the Company in a composite offer and response document. In accordance with Rule 8.2 of the Takeovers Code, the Composite Document containing, among other things: (i) details of the Offer (including the expected timetable); (ii) a letter of advice from the Independent Board

Committee to the Independent Shareholders in relation to the Offer; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offer, together with the relevant forms of acceptance and transfer, is required to be despatched to the Shareholders within 21 days of the date of this joint announcement or such later date as the Executive may approve. It is expected that the offer document will be issued on or before 26 May 2021.

DEALINGS DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, the associates of the Company and the Offeror (as defined under the Takeovers Code, including persons holding 5% or more of a class of relevant securities issued by the Company or the Offeror) are hereby reminded to disclose their dealings in any securities of the Offeror and the Company pursuant to Rule 22 of the Takeovers Code. In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

WARNING

The Directors make no recommendation as to the fairness or reasonableness of the Offer or as to the acceptance of the Offer in this joint announcement, and strongly recommend the Independent Shareholders not to form a view on the Offer unless and until they have received and read the Composite Document, including the recommendations of the Independent Board Committee in respect of the Offer and a letter of advice from the Independent Financial Adviser.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

3. FORMATION OF JOINT VENTURE

On 5 May 2021, the Company entered into the JV Agreement with the JV Partner, an independent third party not connected with the Company and its connected persons and concert parties and not acting in concert with the Offeror and its concert parties, to form the Joint Venture to be owned as to 51% by the Company and 49% by the JV Partner within 7 days from the date of the JV Agreement and the Joint Venture will be principally engaged in a screening business in Japan and Mainland China on drugs for Parkinson's disease and brown adipose cell relating to weight loss and screening of functional food business, and business relating to the application of autologous brown adipose cell in the treatment of weight loss cells. The capital contribution of the Company and the JV Partner will be HK\$2,142,000 and HK\$2,058,000 respectively, to be settled by the Company and the JV Partner in cash from their own resources within 180 days from the date of incorporation of the Joint Venture. The basis of determining the consideration for the formation of the Joint Venture is the result of negotiation between the Company and the JV Partner. Neither the JV Partner nor any of his wholly-owned companies and their respective concert parties is a Shareholder.

The Company has initiated discussion with the JV Partner since mid-March 2021 when the discussion between the Vendor and the Purchaser for the sale and purchase of the Sale Shares had yet to commence. As far as the Company is aware, there were more than one potential cooperating partners approaching the JV Partner and if the Company does not enter into agreement with the JV Partner as soon as possible, the Company would risk missing the business opportunity as the JV Partner would be free to cooperate with other interested party.

The Independent Financial Adviser's view about the Joint Venture will be included in the Composite Document such that the Shareholders will have full and sufficient information about the Joint Venture in determining whether to accept the Offer or not.

As none of the applicable percentage ratios (within the meaning of the Listing Rules) in respect of the formation of the Joint Venture exceed 5%, the formation of the Joint Venture does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

Reasons for and Benefits of Formation of the Joint Venture

The Board believes that formation of the Joint Venture would provide a good opportunity for the Group to diversify its business by tapping into the biotechnology industry which has grown rapidly in recent years and is expected to continue to provide attractive opportunities in the future, and maximise the return to the Shareholders and contribute to the long-term, sustainable and stable revenue growth to the Group. The JV Partner has extensive knowledge and experience in the field of biotechnology in different aspects, including research and development, experimentation, clinical trials, application for approval with the authorities, liaison with the relevant parties and the formalities involved in the foregoing. The Board is of

the view that, through the Joint Venture, both the Company and the JV Partner will be able to expand their scope of business which will be beneficial to the long-term development of both parties.

Shareholders and potential investors of the Company should note that completion of the formation of the Joint Venture may or may not materialise and they are reminded to exercise caution when dealing in the securities of the Company.

4. PROPOSED CHANGE OF COMPANY NAME

The Board proposes to change the English name of the Company from “Speed Apparel Holding Limited” to “EPS Creative Health Technology Group Limited” and the Chinese name of the Company from “尚捷集團控股有限公司” to “EPS 創健科技集團有限公司”. The Proposed Change of Company Name is subject to the Name Change Conditions as set out in the paragraph headed “Conditions for the Proposed Change of Company Name” in this joint announcement. The EGM will be convened and held for the purposes of considering and, if thought fit, approving, the special resolution in respect of the Proposed Change of Company Name.

Conditions for the Proposed Change of Company Name

The Proposed Change of Company Name is subject to the satisfaction of the following conditions (the “**Name Change Conditions**”):

- (i) the passing of a special resolution by the Shareholders at the EGM approving the Proposed Change of Company Name; and
- (ii) the Registrar of Companies in the Cayman Islands approving the Proposed Change of Company Name.

Subject to the satisfaction of the Name Change Conditions, the Proposed Change of Company Name will take effect from the date of entry of the new English name of the Company on the register maintained by the Registrar of Companies in the Cayman Islands. The Registrar of Companies in the Cayman Islands shall issue a certificate of incorporation on change of name thereafter. The Company will carry out all necessary registration and/or filing procedures with the Registrar of Companies in the Cayman Islands and the Companies Registry in Hong Kong.

Reasons for the Proposed Change of Company Name

Following the acquisition of the majority shareholdings in the Company by the Purchaser, the Company has become a subsidiary of the Purchaser and to better reflect the relationship between the Purchaser and the Company, the Board considers that the Proposed Change of Company Name would provide a clear identification to the market and general public.

Effects of the Proposed Change of Company Name

The Proposed Change of Company Name will not affect any of the rights of the Shareholders. Once the Proposed Change of Company Name becomes effective, any issue of share certificates of the Company thereafter will be in the new name of the Company and the Shares will be traded on the Stock Exchange under the new name of the Company. All existing share certificates of the Company in issue bearing the present name of the Company shall, after the Proposed Change of Company Name having become effective, continue to be evidence of title to such Shares and will continue to be valid for trading, settlement, registration and delivery purposes. Accordingly, there will not be any arrangement for free exchange of the existing share certificates for new certificates bearing the new name of the Company.

General

The Proposed Change of Company Name is subject to the fulfillment of the Name Change Conditions as set out above. An EGM will be convened and held for the purposes of considering and, if thought fit, approving, the special resolution in respect of the Proposed Change of Company Name. A circular containing, among other things, further information on (i) the Proposed Change of Company Name; and (ii) the notice convening the EGM and a form of proxy, will be despatched to the Shareholders as soon as practicable.

5. TRADING HALT AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 27 April 2021 pending the release of this joint announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 6 May 2021.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Company”	Speed Apparel Holding Limited (stock code: 3860), a company incorporated in the Cayman Islands with limited liability and its issued Shares are listed on the Stock Exchange

“Composite Document”	the composite offer and response document expected to be jointly issued by the Company and the Offeror in connection with the Offer in accordance with the Takeovers Code
“Director(s)”	the director(s) of the Company from time to time
“EGM”	the extraordinary general meeting to be held by the Company for the purpose of considering and approving the Proposed Change of Company Name
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of its delegate
“Existing Group”	all subsidiaries of the Company as at the date of the S&P Agreement (excluding the Company)
“First Year Note”	the HK\$21,666,000 principal unsecured interest-free non-transferrable note due on 30 June 2022 issued by Speed Apparel (BVI) Limited in favour of the Vendor
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Chan Wing Kai, an executive Director and the chairman of the Board
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Ms. Chan Siu Lai, Mr. Kwok Chi Shing and Mr. Ma Kwok Fai, Edwin to give recommendation to the Independent Shareholders regarding the terms of the Offer and as to acceptance
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company for the purpose of advising the Independent Board Committee in respect of the terms of the Offer
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“Joint Venture”	the joint venture to be established pursuant to the JV Agreement

“JV Agreement”	the joint venture agreement dated 5 May 2021 and entered into between the Company and the JV Partner in relation to the formation of the Joint Venture
“JV Partner”	Mr. Tai Hei, an independent third party not connected with the Company and its connected persons and not acting in concert with the Offeror, the Vendor and any of their respective concert parties
“Last Trading Day”	26 April 2021, being the last full trading day of the Shares on the Stock Exchange before the publication of this joint announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the Main Board of the Stock Exchange
“Merdeka Corporate Finance”	Merdeka Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Offeror in respect of the Offer
“Merdeka Securities”	Merdeka Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO, being the agent making the Offer on behalf of the Offeror
“Notes”	collectively, the First Year Note, the Second Year Note and the Third Year Note
“Offeror” or “Purchaser”	EPS Holdings, Inc., a company incorporated in Japan with limited liability, the issued shares of which are listed on the Tokyo Stock Exchange. Approximately 22% of the issued shares of the Offeror is beneficially owned by Mr. Hao Yan, an independent third party not connected with, either the Company or any of its connected persons, and not a party acting in concert with any of them, save that the Offeror has become a controlling Shareholder upon the completion of the S&P Agreement
“Offer”	the mandatory unconditional cash offer to be made by Merdeka Securities on behalf of the Offeror for the Offer Shares in accordance with the Takeovers Code
“Offer Price”	the price of HK\$0.988 per Offer Share payable by the Offeror to the Shareholders for each Offer Share accepted under the Offer

“Offer Share(s)”	Share(s) not already owned by the Offeror and parties acting in concert with it
“PRC” or “Mainland China”	the People’s Republic of China, which for the purpose of this joint announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Profit Guarantee”	the profit guarantee provided by the Vendor and the Guarantor in favour of the Purchaser pursuant to the S&P Agreement
“Proposed Change of Company Name”	the proposal by the Board to change the English name of the Company from “Speed Apparel Holding Limited” to “EPS Creative Health Technology Group Limited” and the Chinese name of the Company from “尚捷集團控股有限公司” to “EPS 創健科技集團有限公司”
“Revolving Facility”	the interest-free revolving facility of up to HK\$35,000,000 provided to the Existing Group by the Vendor for working capital of the Existing Group up to 31 March 2024
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Sale Shares”	an aggregate of 375,000,000 Shares acquired by the Offeror from the Vendor pursuant to the S&P Agreement
“Second Year Note”	the HK\$21,666,000 principal unsecured interest-free non-transferrable note due on 30 June 2023 issued by Speed Apparel (BVI) Limited in favour of the Vendor
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“S&P Agreement”	the sale and purchase agreement dated 26 April 2021 and entered into between the Offeror (as purchaser), the Vendor and the Guarantor in relation to the sale and purchase of the Sale Shares

“S&P Completion”	completion of the S&P Agreement in accordance with its terms, which took place immediately after the signing of the S&P Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Third Year Note”	the HK\$21,668,000 principal unsecured interest-free non-transferrable note due on 30 June 2024 issued by Speed Apparel (BVI) Limited in favour of the Vendor
“Vendor”	Speed Development Co. Ltd, a company incorporated in the British Virgin Islands and the entire issued shares of which is owned by the Guarantor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board
Speed Apparel Holding Limited
Chan Wing Kai
Chairman

By order of the board of directors
of the Offeror
Hao Yan
Chairman and Chief Executive Officer

Hong Kong, 5 May 2021

As at the date of this joint announcement, the executive Directors are Mr. Chan Wing Kai and Mr. Ng Ming Ho; and the independent non-executive Directors are Ms. Chan Siu Lai, Mr. Kwok Chi Shing and Mr. Ma Kwok Fai, Edwin.

The Directors jointly and severally accept full responsibility for accuracy of the information contained in this joint announcement (other than the information relating to the Offeror and the terms of the Offer) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

As at the date of this joint announcement, the directors of the Offeror are Mr. Hao Yan, Mr. Tatsuma Nagaoka, Mr. Kazuki Sekitani, Mr. Shuzo Orihashi, Mr. Toshihiro Jike, Mr. Kenichi Yamamoto, Mr. Kaori Takeda, Mr. Haruo Funabashi, Mr. Yoshinori Ando and Mr. Junichi Taguchi.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of information contained in this joint announcement (other than the information relating to the Group, the Vendor and their respective associates and parties acting in concert with them) and confirm,

having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the directors of the Group and the directors of the Vendor) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement the omission of which would make any statement in this joint announcement misleading.

The English text of this joint announcement shall prevail over its Chinese text.

APPENDIX I - LETTER FROM ZHONGHUI ANDA CPA LIMITED ON THE PROFIT FORECAST

5 May 2021

The Board of Directors
Speed Apparel Holding Limited
Flat A, 17/F., Gemstar Tower
23 Man Lok Street, Hung Hom
Kowloon, Hong Kong

Dear Sirs,

Speed Apparel Holding Limited Profit Forecast for the 3 Years Ending 31 March 2024

We refer to the section headed “Profit Guarantee” as set out in the joint announcement of the Company dated 5 May 2021 in respect of the Guaranteed Profit and Guaranteed Revenue (the “**Profit Forecast**”).

Directors’ Responsibilities

The Profit Forecast has been prepared by the directors of the Company based on the historical financial information of the Company and its subsidiaries (collectively referred to as the “**Group**”) and a forecast of the consolidated results of the Group for the remaining 3 years ending 31 March 2024.

The Company’s directors are solely responsible for the Profit Forecast.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Forecast in accordance with the bases and assumptions adopted by the directors and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2020.

Yours faithfully,

ZHONGHUI ANDA CPA Limited
Certified Public Accountants Sze Lin Tang
Director

APPENDIX II - LETTER FROM RED SUN CAPITAL LIMITED ON THE PROFIT FORECAST

5 May 2021

The Board of Directors
Speed Apparel Holding Limited
Flat A, 17/F., Gemstar Tower
23 Man Lok Street, Hung Hom
Kowloon, Hong Kong

Dear Sir/Madam,

We refer to the joint announcement dated 5 May 2021 (the “**Joint Announcement**”) issued by Speed Apparel Holding Limited (the “**Company**”) and EPS Holdings, Inc. (the “**Offeror**”). Capitalised terms used in this letter shall have the same meanings as defined in the Joint Announcement unless otherwise specified.

Pursuant to the Sale and Purchase Agreement, each of the Vendor and the Guarantor irrevocably warrants, guarantees and undertakes that (i) the audited consolidated net profit after taxation (excluding any extraordinary items) of the Existing Group shall not be less than HK\$10,000,000 (the “**Guaranteed Profit**”); and (ii) the audited consolidated revenue of the Existing Group shall not be less than HK\$240,000,000 (the “**Guaranteed Revenue**”) for each of the three financial years ending 31 March 2024 (the “**Profit Guaranteed Period**”). Pursuant to Rule 10 of the Takeovers Code, the above Guaranteed Profit and Guaranteed Revenue are regarded as a profit forecast (“**Profit Forecast**”). The Profit Forecast has been prepared by the directors of the Company based on the historical audited financial information of the Company and its subsidiaries (collectively referred to as the “**Group**”) and a forecast of the consolidated results of the Group for the remaining 3 years ending 31 March 2024.

We have reviewed the Profit Forecast and discussed with the Directors on the bases and assumptions, which has been set out in the section headed “Profit Guarantee” of the joint announcement of the Company dated 5 May 2021, upon which the Profit Forecast has been made. We have also considered the letter dated 5 May 2021 addressed to the board of directors of the Company from ZHONGHUI ANDA CPA Limited, the auditors of the Group, the text of which is set out in the Appendix I to the Joint Announcement regarding to their work performed on the Profit Forecast.

On the basis of foregoing, we are satisfied that the Profit Forecast including the bases and assumptions, for which the Directors are solely responsible for, have been made after due and consideration and careful enquiry, and on a reasonable basis.

The work undertaken by us is for the sole purpose of reporting to the Directors under Rule 10 of the Takeovers Code and for no other purposes. We accept no responsibility to any other person in connection with such work.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited

Robert Siu
Managing Director