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## **FOURACE INDUSTRIES GROUP HOLDINGS LIMITED**

**科利實業控股集團有限公司**

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

**(Stock Code: 1455)**

### **ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

#### **FINANCIAL HIGHLIGHTS**

- Revenue for the six months ended 30 September 2021 (“**1H2022**” or the “**Reporting Period**”) increased by 8.4% to HK\$218.2 million, when compared with HK\$201.2 million for the six months ended 30 September 2020 (“**1H2021**”)
- Gross profit for 1H2022 decreased by 9.3% to HK\$56.6 million (1H2021: HK\$62.4 million) while the gross profit margin for 1H2022 decreased by 5.0% to 26.0% (1H2021: 31.0%)
- Profit attributable to equity holders of the Company for 1H2022 decreased by 2.6% to HK\$26.4 million (1H2021: HK\$27.1 million) and the profit margin decreased by 1.4% to 12.1% (1H2021: 13.5%)
- Earnings per share for profit attributable to equity holders of the Company for 1H2022 was HK 2.1 cents (1H2021: HK 2.8 cents)
- The Board has resolved not to pay an interim dividend for 1H2022

## INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Fourace Industries Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the Reporting Period, together with the unaudited comparative figures for 1H2021 as set forth below. The condensed consolidated results are unaudited, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2021</b>	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>	<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	5	<b>218,180</b>	201,159
Cost of sales	7	<b>(161,554)</b>	(138,734)
<b>Gross profit</b>		<b>56,626</b>	62,425
Other income		<b>1,794</b>	669
Other losses, net	6	<b>(126)</b>	(2,259)
Selling and distribution expenses	7	<b>(2,753)</b>	(2,302)
Research and development expenses	7	<b>(4,092)</b>	(3,342)
Administrative expenses	7	<b>(18,275)</b>	(21,207)
<b>Operating profit</b>		<b>33,174</b>	33,984
Finance income		<b>25</b>	15
Finance costs		<b>(16)</b>	(48)
<b>Profit before taxation</b>		<b>33,183</b>	33,951
Income tax expenses	8	<b>(6,799)</b>	(6,811)
<b>Profit for the period</b>		<b>26,384</b>	27,140
<b>Other comprehensive income</b>			
<i>Item that may be reclassified to profit and loss:</i>			
Currency translation difference		<b>1,254</b>	2,071
<b>Total other comprehensive income for the period, net of tax</b>		<b>1,254</b>	2,071
<b>Total comprehensive income for the period</b>		<b>27,638</b>	29,211
<b>Earnings per share for profit attributable to owners of the Company during the period (expressed in HK cents per share)</b>			
Basic and diluted earnings per share	9	<b>2.1</b>	2.8

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2021

		As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets		2,385	2,632
Property, plant and equipment		110,572	113,617
Investment property		672	690
Deposits and prepayments		6,671	740
Deferred income tax assets		876	1,149
		<u>121,176</u>	<u>118,828</u>
<b>Current assets</b>			
Inventories		61,514	37,332
Trade receivables	<i>11</i>	115,237	87,133
Contract assets		1,670	2,464
Other receivables, deposits and prepayments		15,945	9,025
Income tax recoverable		–	1,370
Pledged bank deposits		7,385	4,974
Cash and cash equivalents		124,292	166,008
		<u>326,043</u>	<u>308,306</u>
Total current assets		<u>326,043</u>	<u>308,306</u>
<b>Total assets</b>		<u><u>447,219</u></u>	<u><u>427,134</u></u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Share capital	<i>13</i>	12,500	12,500
Reserves		315,749	334,958
		<u>328,249</u>	<u>347,458</u>
<b>Total equity</b>		<u><u>328,249</u></u>	<u><u>347,458</u></u>

		<b>As at 30 September 2021 HK\$'000 (unaudited)</b>	As at 31 March 2021 HK\$'000 (audited)
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Lease liabilities		<b>191</b>	401
Deferred income tax liabilities		<b>4,585</b>	4,032
		<u><b>4,776</b></u>	<u>4,433</u>
<b>Current liabilities</b>			
Trade payables	<i>12</i>	<b>81,913</b>	44,910
Accruals and other payables		<b>18,683</b>	19,670
Borrowing		<b>1,222</b>	2,139
Lease liabilities		<b>420</b>	420
Income tax payable		<b>11,956</b>	8,104
		<u><b>114,194</b></u>	<u>75,243</u>
<b>Total liabilities</b>		<u><b>118,970</b></u>	<u>79,676</u>
<b>Total equity and liabilities</b>		<u><b>447,219</b></u>	<u>427,134</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. GENERAL INFORMATION OF THE GROUP

Fourace Industries Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 29 March 2019 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company and its subsidiaries are principally engaged in the design, development and manufacturing of personal care and lifestyle electrical appliances (the “**Business**”).

The Company’s ordinary shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 15 September 2020.

The condensed consolidated interim financial information is presented in Hong Kong Dollars (“**HK\$**”) unless otherwise stated.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 September 2021 is prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting”. It should be read in conjunction with the consolidated financial statements for the year ended 31 March 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those as described in the consolidated financial statements for the year ended 31 March 2021, except for the adoption of new standards, amendments and interpretations of HKFRSs effective for the financial year ending 31 March 2022. A number of amended standards became applicable for the current reporting period.

HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendment)	Interest Rate Benchmark Reform — Phase 2
HKFRS 16 (Amendment)	Covid-19-Related Rent Concessions

The adoption of these amendments to standards and interpretation of HKFRSs did not have any significant impact on the current period or any prior period.

## 4. ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2021.

## 5. REVENUE AND SEGMENT INFORMATION

The executive directors of the Company have been identified as the chief operating decision-makers of the Group who review the Group's internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

The Group principally engages in the design, development and manufacturing of personal care and lifestyle electrical appliances. The chief operating decision-makers assess the performance of the Business based on a measure of operating results and considers the Business in a single operating segment. Information reported to the chief operating decision-makers for the purposes of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one operating segment — manufacturing and trading of home electrical appliances.

The Group's revenue by product categories, is as follows:

	<b>Six months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Personal care electrical appliances		
— Hair styling series	<b>189,653</b>	149,378
— Grooming series	<b>16,783</b>	24,232
— Beauty care series	<b>1,470</b>	17,914
	<hr/>	<hr/>
Sub-total	<b>207,906</b>	191,524
Lifestyle electrical appliances	<b>366</b>	3,351
Others <sup>(Note)</sup>	<b>9,908</b>	6,284
	<hr/>	<hr/>
	<b>218,180</b>	201,159
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*Note:* Others mainly represented moulds and tools and spare parts.

The Group's revenue by geographical locations, which is determined by the location where the goods were delivered and utilized, is as follows:

	<b>Six months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Japan	<b>79,394</b>	82,234
United States	<b>118,569</b>	87,198
Europe	<b>14,563</b>	22,450
Others <sup>(Note)</sup>	<b>5,654</b>	9,277
	<hr/>	<hr/>
	<b>218,180</b>	201,159
	<hr/> <hr/>	<hr/> <hr/>

*Note:* Others mainly include the People's Republic of China (the "PRC") and other countries within the Asia Pacific region.

## 6. OTHER LOSSES, NET

	Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Exchange losses, net	(126)	(2,255)
Net losses on disposal of property, plant and equipment	—	(4)
	<u>(126)</u>	<u>(2,259)</u>

## 7. EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, research and development expenses and administrative expenses are analysed as follows:

	Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Auditors' remuneration		
— Audit services	642	96
— Non-audit services	—	—
Changes in inventories of finished goods and work in progress	(12,924)	(9,310)
Consumables	734	919
Cost of moulds and tools	1,293	2,599
Custom and declaration	739	715
Depreciation of property, plant and equipment, investment property and right-of-use assets	6,599	6,480
Direct material costs	115,479	95,928
Land and building management fee	732	685
Legal and professional fee	1,529	344
Listing expenses	—	6,988
Logistic expenses	554	278
Repair and maintenance expenses	1,443	1,215
Staff costs, including directors' remuneration	46,342	37,338
Subcontracting costs	13,763	12,930
Utilities	4,531	3,871
Other taxes and stamp duty	1,264	849
Other expenses	3,954	3,660
	<u>186,674</u>	<u>165,585</u>

## 8. INCOME TAX EXPENSES

For the six months ended 30 September 2021 and 2020, Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit. The Group's subsidiary in the PRC are subject to China corporate income tax at a rate of 25% on estimated assessable profits.

	Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Current income tax		
— Current tax on profit for the period	<u>6,034</u>	<u>6,433</u>
Deferred taxation	<u>765</u>	<u>378</u>
Income tax expense	<u><u>6,799</u></u>	<u><u>6,811</u></u>

## 9. EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the Company's owners by the weighted average number of ordinary shares in issue during the six months ended 30 September 2021 and 2020.

	Six months ended 30 September	
	2021 (unaudited)	2020 (unaudited)
Net profit attributable to the owners of the Company (HK\$'000)	<b>26,384</b>	27,140
Weighted average number of ordinary shares in issue ( <i>in thousand</i> )	<u><b>1,250,000</b></u>	<u>964,822</u>
Basic earnings per share ( <i>in HK cents</i> )	<u><u><b>2.1</b></u></u>	<u><u>2.8</u></u>

### (b) Diluted earnings per share

Diluted earnings per share for the period ended 30 September 2021 and 2020 are the same as basic earnings per share as there were no potential dilutive ordinary shares issued.

## 10. DIVIDEND

For the six months ended 30 September 2021, the Board has resolved not to declare any interim dividend (the six months ended 30 September 2020: Nil).

## 11. TRADE RECEIVABLE

Trade receivables are denominated in the following currencies:

	As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
US\$	<u>115,237</u>	<u>87,133</u>

The credit period granted to customers are ranging from 30 to 120 days. The ageing analysis of the trade receivable based on invoice date was as follows:

	As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
Up to 3 months	108,857	68,590
Over 3 months	<u>6,380</u>	<u>18,543</u>
	<u>115,237</u>	<u>87,133</u>

## 12. TRADE PAYABLES

Trade payable are denominated in the following currencies:

	As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
US\$	1,571	577
HK\$	5,784	3,316
RMB	<u>74,558</u>	<u>41,017</u>
	<u>81,913</u>	<u>44,910</u>

The ageing analysis of the trade payables based on invoice date was as follows:

	As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
Within 1 month	37,816	12,467
1–2 months	19,301	11,980
Up to 3 months	19,121	14,488
Over 3 months	<u>5,675</u>	<u>5,975</u>
	<u>81,913</u>	<u>44,910</u>

### 13. SHARE CAPITAL

	As at 30 September 2021		As at 31 March 2021	
	Number of shares  (Unaudited)	Nominal Value HK\$	Number of shares  (Audited)	Nominal value HK\$
<i>Authorised:</i>				
Ordinary shares of HK\$0.01 each as at the end of the period/year	<b>10,000,000,000</b>	<b>100,000,000</b>	10,000,000,000	100,000,000
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.01 each as at the beginning of the period/year	<b>1,250,000,000</b>	<b>12,500,000</b>	2	–
Issuance of ordinary shares upon capitalisation issue ( <i>Note (i)</i> )	–	–	937,499,998	9,375,000
Issuance of ordinary shares upon initial public offering ( <i>Note (ii)</i> )	–	–	312,500,000	3,125,000
	<b>1,250,000,000</b>	<b>12,500,000</b>	1,250,000,000	12,500,000

*Notes:*

- (i) On 15 September 2020, an amount of HK\$9,375,000 was capitalised from share premium to share capital of the Company.
- (ii) On 15 September 2020, 312,500,000 ordinary shares of HK\$0.01 each were issued at an offer price of HK\$0.40 per share for a total consideration of HK\$125,000,000 with HK\$89,131,000 credited to the share premium account of the Company, after taking into account of the issuance costs.

## OVERVIEW

The Group commenced its operation in 1988 and the Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 15 September 2020 (the “**Listing**”).

The Group is principally engaged in the design, development and manufacturing of personal care and lifestyle electrical appliances on an ODM basis. Its customers are mainly international brand owners with products marketed mainly in the U.S., Japan, and Europe. The Group provides a wide variety of personal care electrical appliances, which can be broadly classified into three major categories, namely hair styling series, grooming series and beauty care series. In particular, the Group is specialised in hair dryers within its hair styling series which primarily target the high-end market. It also co-designs and develops with its customers and sells certain lifestyle electrical appliances such as electric irons and bread makers.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the Reporting Period, COVID-19 pandemic continued to disrupt economies across the globe, leading to rising raw material prices, global shortage of shipping containers as well as appreciation of the Renminbi (“**RMB**”) against the United States dollars (“**USD**”).

Fortunately, the Group has not been affected significantly. The sales turnover for 1H2022 increased by approximately 8.4% to approximately HK\$218.2 million as compared to that of 1H2021. With the influence of the “stay-at-home economy” concept to the consumer market, it has continued to stimulate the consumer desire for personal care electrical appliances such that the sales of the hair styling series recorded a notable growth by approximately 27.0% or approximately HK\$40.2 million as compared to that of 1H2021. The substantial growth was caused by increasing demand for the Group’s hair styling products in the U.S. market.

Regarding the lifestyle electrical appliances business, the Group has continued to develop the smart toilet and planned to launch it under the Group’s first own brand “**ink**” targeting the high-end market. The identification of the technical specification of the smart toilet is in satisfactory progress and the new product is expected to launch in 2022 in Mainland China.

## PROSPECTS

Looking ahead, the Group will continue to focus on its core business to maintain the steady growth of business by maintaining the order of current products while developing new products actively to obtain more orders.

To strengthen the Group's long and stable relationship with its customers, and also enhance its market position, increase its market share in the personal care and lifestyle electrical appliances segments, the Group is in the process of upgrading its production facilities, including purchasing and replacing new plastic injection moulding machines, and upgrading the automation level of production lines including spray painting and assembly lines to expand and enhance its production capacity and to increase sales.

At the same time, the Group will devote more resources to enhance its construction as well as the research and development capabilities of its technical team, in order to improve its product design, research and development capabilities, providing its customers with unique selling points and innovative products.

Furthermore, being supported by over 30 years of extensive industry experience, ODM and research and development capabilities, the Group will set up its own brand and targets to realise a two-wheel engines strategy with the ODM business. Expecting the stay-at-home economy would be continued as the COVID pandemic has changed the focus of consumer spending behaviour from services to consumer products, the Group would actively explore and develop the market of daily necessities, and make full use of its technologies and capabilities to explore potential products under its own brand to expand the lifestyle electrical appliances segment.

The first product under the Group's own brand “” will be the smart toilet, which is expected to be launched in Mainland China in Year 2022. The Group is now in active process of establishing its sales and marketing team, and is searching for and seeking cooperation with sales partners.

Finally, since the COVID-19 pandemic is still trespassing on the world and the Sino-US trade war continues, the prospect is subject to uncertainties. Despite so, during the Reporting Period, the Group's sales turnover related to exports to the United States increased from approximately 43.3% to approximately 54.3% of the Group's sales turnover. If the United States increases tariffs on PRC exported goods significantly, the Group's turnover may be affected.

## **FINANCIAL REVIEW**

### **Revenue**

The total revenue of the Group increased by approximately HK\$17.0 million (approximately 8.4%) from approximately HK\$201.2 million for 1H2021 to approximately HK\$218.2 million for 1H2022. Such increase was mainly attributable to the increase in the sales of the hair styling series of the personal care electrical appliances.

### **Gross profit and gross profit margin**

The Group's gross profit decreased by approximately HK\$5.8 million (approximately 9.3%) to approximately HK\$56.6 million for the 1H2022 (1H2021: approximately HK\$62.4 million). The decrease was attributable to the decrease in revenue in the beauty care and grooming series of the personal care electrical appliances. The gross profit margin decreased to 26.0% for the Reporting Period (1H2021: 31.0%) which was mainly attributable to the appreciation in RMB against USD; and increasing of raw materials costs.

### **Administrative expenses**

The administrative expenses of the Group decreased by approximately HK\$2.9 million (approximately 13.8%) to approximately HK\$18.3 million for 1H2022 (1H2021: approximately HK\$21.2 million). Such decrease was mainly due to the absence of the Listing expenses during the Reporting Period while such expenses of approximately HK\$7.0 million were recorded for 1H2021.

### **Finance costs**

The Group's finance costs represented interest on bank borrowings. The Group recorded finance costs of approximately HK\$16,000 during the Reporting Period (1H2021: HK\$48,000).

### **Income tax expenses**

The Group's income tax expenses were approximately HK\$6.8 million for 1H2022 which was nearly the same as for 1H2021 (approximately HK\$6.8 million). The effective tax rate of the Group for 1H2022 was approximately 20.5% and for 1H2021 was approximately 20.1%.

### **Net profit**

Profit attributable to the equity holders of the Company decreased by approximately HK\$0.7 million (approximately 2.6%) from approximately HK\$27.1 million for 1H2021 to approximately HK\$26.4 million for 1H2022. The Group's net profit margin decreased by approximately 1.4% from 13.5% for 1H2021 to 12.1% for 1H2022. The decrease was mainly due to the drop of the gross profit margin as mentioned above.

## **OTHER INFORMATION**

### **LIQUIDITY AND CAPITAL RESOURCES**

#### **Capital Structure, Liquidity and Financial Resources**

During the Reporting Period, the Group has funded the operations primarily with net cash generated from its operations, bank borrowings and the global offering, and the funds were primarily used for purchase of raw materials, various operating expenses and capital expenditure. During the Reporting Period, the liquidity of the Group was closely monitored by the Board and the Group reviews its working capital and finance requirements on a regular basis.

#### **Liquidity**

As at 30 September 2021, the Group maintained cash and bank balances of approximately HK\$124.3 million (as at 31 March 2021: approximately HK\$166.0 million). The Group will continue to maintain a healthy liquidity position to fund for the future business development.

#### **Borrowings, Charge on Assets and Gearing Ratio**

As at 30 September 2021, the borrowings of the Group amounted to approximately HK\$1.2 million (as at 31 March 2021: approximately HK\$2.1 million), which were denominated in Hong Kong dollar with a floating interest rate and effective rate per annum of approximately 1.8% as at 30 September 2021 (as at 31 March 2021: approximately 1.8%). The total balance of bank borrowings as at 30 September 2021 were repayable on demand and were secured by (i) a legal charge over an industrial property of the Group held for its own use in Hong Kong with net book value amounted to approximately HK\$3.9 million as at 30 September 2021; (ii) a legal charge over an industrial property of the Group held for earning rental income in Hong Kong with net book value amounted to approximately HK\$0.7 million as at 30 September 2021; (iii) a charge over a deposit by the Group placed with the bank amounted to approximately US\$0.6 million as at 30 September 2021 (equivalent to approximately HK\$5.0 million); and (iv) corporate guarantee by the Company.

As at 30 September 2021, the Group had banking facilities of approximately HK\$40.0 million, of which approximately HK\$38.8 million was unutilised. The Group are not committed to draw down the unutilised amount. The Group intended to utilise such facilities for its working capital purposes, including purchase of raw materials to support its business operation.

As at 30 September 2021, the gearing ratio of the Group was approximately 0.4% (as at 31 March 2021: approximately 0.6%). The gearing ratio was calculated by dividing the Group's interest-bearing borrowing by the Group's total equity as at the end of the respective financial period and multiplied by 100%.

## **FOREIGN EXCHANGE EXPOSURE**

The Group is exposed to foreign currency exchange risk. The value and convertibility of RMB are subject to changes in the PRC government's policies and depend on domestic and international economic and political developments, as well as the supply and demand forces of Renminbi in the local market. As the Group is not involved in any currency hedging activities, any fluctuation in the exchange rate or any shortage of foreign currency may have an adverse impact on operating costs and financial condition.

## **CAPITAL COMMITMENT**

As at 30 September 2021, the Group had capital commitments contracted but not provided for property, plant and equipment amounted to approximately HK\$4.3 million (as at 31 March 2021: approximately HK\$0.2 million).

## **CONTINGENT LIABILITIES**

As at 30 September 2021, the Group did not have any material contingent liabilities (as at 31 March 2021: nil).

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES**

During the Reporting Period, the Group did not hold any significant investment nor did the Group carry out any material acquisitions and disposals of subsidiaries, associates and joint ventures.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in the Company's prospectus dated 31 August 2020 in relation to the Company's Global Offering (the "**Prospectus**") and this announcement, the Group did not have other plans for material investments or capital assets as at 30 September 2021. The Group will continue to monitor the industry closely and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2021, the Group had a total of 793 employees (as at 31 March 2021: 781). The employees' remuneration depends on their particular duties and their performance. The Group's general workers are paid according to the Shenzhen minimum wage standard, and the basic salaries of the management, engineering, and technical staff are generally determined with reference to the same industry standards and they may be entitled to allowance and bonus based on their performance evaluation. The Group conducts employee performance review annually to evaluate and adjust the employees' remuneration. The Group enters into individual employment agreements with the employees, with terms covering, among other things, positions, salaries, working hours, annual leave and other benefits. During the Reporting Period, the Group's total staff costs amounted to approximately HK\$46.3 million (1H2021: approximately HK\$37.3 million).

## **ISSUE AND ALLOTMENT OF AWARD SHARES**

On 28 June 2021, in order to recognize the contribution of employees and in driving continuous business operation and development of the Group, the Board resolved to grant a total of 28,562,500 new shares (the “**Award Shares**”) to its employees, among which, (i) 20,937,500 Award Shares were granted to twenty four (24) grantees, all being employees of the Group who are not connected persons of the Company (the “**Non-connected Grantees**”); and (ii) 7,625,000 Award Shares were granted to Ms. Li Sen Julian and Ms. Tang Suk Yee, who are Directors and thus connected persons of the Company (the “**Connected Grantees**”). The proposed allotment and issue of the Award Shares to the Connected Grantees and the transactions contemplated thereunder were approved by the independent shareholders at the extraordinary general meeting of the Company convened and held on 9 August 2021. For details, please refer to the announcement of the Company dated 28 June 2021 and the circular of the Company dated 23 July 2021. Subsequent to the end of the Reporting Period and up to the date of this announcement, 7,625,000 and 6,687,500 Award Shares were issued to the Connected Grantees and Non-connected Grantees, respectively.

## **EVENTS AFTER THE END OF THE REPORTING PERIOD**

Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place after 30 September 2021 and up to the date of this announcement.

## **INTERIM DIVIDEND**

The Board has resolved not to pay an interim dividend for 1H2022 (1H2021: Nil).

## **USE OF PROCEEDS FROM THE GLOBAL OFFERING**

The Company listed its shares on the Stock Exchange on 15 September 2020. Based on the offer price of HK\$0.40 per offer share and a total of 312,500,000 offer shares, the net proceeds from the global offering (the “**Global Offering**”) after deduction of the underwriting fees and commissions and expenses payable by the Company in connection with the Global Offering, were approximately HK\$66.2 million. The following table sets forth the status of the use of net proceeds from the Global Offering:

Business objective as stated in the Prospectus	Percentage of total net proceeds	Planned use of actual net proceeds (Note 1) HK\$ million	Amount unutilised as at 31 March 2021 HK\$ million	Actual use of net proceeds during the period from	Amount unutilised as at 30 September 2021 (Note 2) HK\$ million	Expected timeline for utilising the unutilised net proceeds (Note 3)
				1 April 2021 to 30 September 2021 (Note 4) HK\$ million		
Expanding and upgrading the Company's production facilities to enhance the Company's production capabilities	54.5%	36.1	36.1	(6.2)	29.9	By June 2022
Enhancing the Company's research and engineering capabilities	24.8%	16.4	16.4	–	16.4	By March 2023
Introducing new products carrying the Company's "GHA" brand	12.9%	8.5	8.5	(0.1)	8.4	By September 2022
Enhancing the Company's sales and marketing efforts in the global market including the PRC market	3.5%	2.3	2.3	–	2.3	By December 2022
Upgrading the Company's information technology system and design-aided software	4.3%	2.9	2.9	–	2.9	By September 2022
	100%	66.2	66.2	(6.3)	59.9	

*Note:*

1. The Company has allocated the difference between the estimated and actual net proceeds to each business objective in the same proportion as the original funds applied as shown in the Prospectus.
2. As at 30 September 2021, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong.
3. The expected timeline for utilising the unutilised net proceeds for the business objectives is based on the best estimation of the future market conditions made by the Group. It is subject to change based on the current and future development of the market conditions. The Company remains committed to the original allocation of the net proceeds from the Global Offering as disclosed in the Prospectus. If there is any further change to the proposed usage of the net proceeds and/or expected timelines, the Company will make a further announcement in full compliance with the Listing Rules as and when appropriate.
4. During the Reporting Period, the Group utilized approximately HK\$6.3 million for the acquisition of plastic injection moulding machines, spray painting lines and other machines and equipment to expand and upgrade the Company's production facilities and increase the level of automation of the Group's production lines.

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

So far as the Directors are aware, as at 30 September 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) which are required 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/or short positions which they are taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) to be notified to the Company and the Stock Exchange or which are required pursuant to section 352 of the SFO to be entered in the register referred to therein, were as follows:

Name of Director/ chief executive	Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding interest
Mr. Li Shu Yeh (Note 2)	Interest in controlled corporation (Note 3)	468,750,000 Shares (L)	37.5%

Notes:

1. The letter “L” denotes the person’s long position in the shares of the Company (the “Shares”).
2. As at 30 September 2021, Ace Champion Inc. (“Ace Champion”) is legally and beneficially owned by Mr. Li Shu Yeh as to 100% of its equity interest. Mr. Li Shu Yeh is deemed to be interested in the Shares in which Ace Champion is interested pursuant to Part XV of the SFO.
3. Ace Champion, a limited liability company incorporated in the British Virgin Islands, is the legal and beneficial owner of 468,750,000 Shares, representing approximately 37.5% of the issued share capital of the Company as at 30 September 2021.

Save as disclosed above and so far as the Directors are aware, as at 30 September 2021, none of the Directors or the chief executive of the Company had any interests and/or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required 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 they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 30 September 2021, the following persons other than the directors or chief executive of the Company, had interests or short positions 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 as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the shares of the Company.

Name of Shareholders	Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding interest
Ace Champion (Note 2)	Beneficial owner	468,750,000 Shares (L)	37.5%
Forever Golden (Note 3)	Beneficial owner	468,750,000 Shares (L)	37.5%
Ms. Sit Hor Wan (Note 4)	Interest in controlled corporation	468,750,000 Shares (L)	37.5%
Ms. Chan Pan Pan (Note 5)	Interest of spouse	468,750,000 Shares (L)	37.5%
Mr. Loo Kin Kuen Stephen (Note 6)	Interest of spouse	468,750,000 Shares (L)	37.5%

Notes:

- The letter “L” denotes the person’s long position in the Shares.
- Ace Champion, a limited liability company incorporated in the British Virgin Islands, is the legal and beneficial owner of 468,750,000 Shares, representing approximately 37.5% of the issued share capital of the Company as at 30 September 2021.
- Forever Golden Inc. (“**Forever Golden**”), is a limited liability company incorporated in the British Virgin Islands, is the legal and beneficial owner of 468,750,000 Shares, representing approximately 37.5% of the issued share capital of the Company.
- The entire issued share capital of Forever Golden is beneficially owned by Ms. Sit Hor Wan, who is deemed to be interested in all the Shares held by Forever Golden by virtue of Part XV of the SFO.
- Ms. Chan Pan Pan is the spouse of Mr. Li Shu Yeh. Therefore, Ms. Chan Pan Pan is deemed to be interested in the Shares in which Mr. Li Shu Yeh is interested under Part XV of the SFO.
- Mr. Loo Kin Kuen Stephen is the spouse of Ms. Sit Hor Wan. Therefore, Mr. Loo Kin Kuen Stephen is deemed to be interested in the Shares in which Ms. Sit Hor Wan is interested under Part XV of the SFO.

Save as disclosed above, the Company has not been notified of any other persons (other than the Directors or chief executive of the Company) who, as at 30 September 2021, had interest or a short position in the shares or underlying shares of the Company would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly interested in 5% or more of the shares of the Company.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company had complied with all the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules during the Reporting Period, except as disclosed below.

Code provision A.2.1 set out in the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Li Shu Yeh, in addition to his duties as the chairman of the Board, is also responsible for the corporate strategic planning and overall business development of the Group as the chief executive officer of the Company. Mr. Li Shu Yeh is one of the Group’s co-founders and he has extensive experience and knowledge in the business of the Group and his duties for overseeing the Group’s operations are considered to be beneficial to the Group. The Company considers having Mr. Li Shu Yeh acting as both its chairman and chief executive officer will provide strong and consistent leadership to the Group and facilitate the efficient execution of our business strategies. Since the Directors would meet regularly to consider major matters affecting operations of the Company, the Directors and the management of the Company believe that this structure will enable the Company to make and implement decisions promptly and efficiently. As a result, the Company currently does not propose to separate the functions of chairman and chief executive officer. The Board will continue to review and consider splitting the roles of chairman and chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

## **ADOPTION OF CODE OF CONDUCT REGARDING DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiry to the Directors, all of them confirmed that they had complied with the required standard of dealings as set out in the Model Code during the Reporting Period.

## **SHARE OPTION SCHEME**

To provide incentives or rewards to the staff and the Directors for their contribution or potential contribution to the growth and development of the Group, the Company adopted a share option scheme (the “**Share Option Scheme**”) on 21 August 2020, which has become effective upon the Listing on 15 September 2020. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. No option had been granted by the Company under the Share Option Scheme since its adoption and up to 30 September 2021.

## **CHANGE IN INFORMATION OF DIRECTORS**

There was no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

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

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules at all times during the Reporting Period.

## **PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND REPORTS OF THE COMPANY**

This announcement is published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.fourace.com](http://www.fourace.com). The interim report will be despatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

## **FORWARD LOOKING STATEMENTS**

There can be no assurance that any forward-looking statements regarding the Group set out in this announcement or any of the matters set out therein are attainable, will actually occur or be realized or are complete or accurate. Shareholders and/or potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and not to place undue reliance on the information disclosed herein. Any holder of securities or potential investor of the Company who is in doubt is advised to seek advice from professional advisors.

## **REVIEW OF INTERIM RESULTS**

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The Audit Committee consists of three members, who are all independent non-executive Directors, being Mr. Liu Kai Yu Kenneth, Mr. Leung Wai Chuen and Mr. Man Yun James. The condensed unaudited consolidated interim financial information of the Group for the Reporting Period has been reviewed by the Audit Committee, who considered that the unaudited interim condensed consolidated financial statements comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

## **APPRECIATION**

The Board would like to express its sincere gratitude to the Company's shareholders, investors, employees and business partners for their continuous support.

By order of the Board  
**Fourace Industries Group Holdings Limited**  
**Li Shu Yeh**  
*Chairman and Chief Executive Officer*

Hong Kong, 26 November 2021

*As at the date of this announcement, the executive Directors are Mr. Li Shu Yeh, Ms. Li Sen Julian and Ms. Tang Suk Yee; and the independent non-executive Directors are Mr. Liu Kai Yu Kenneth, Mr. Leung Wai Chuen and Mr. Man Yun James.*