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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 2022

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 September 2022 (“**1H2023**” or the “**Reporting Period**”) increased by 3.7% to HK\$226.4 million, as compared with HK\$218.2 million for the six months ended 30 September 2021 (“**1H2022**”)
- Gross profit for 1H2023 increased by 16.3% to HK\$65.8 million (1H2022: HK\$56.6 million) while the gross profit margin for 1H2023 increased by 3.1% to 29.1% (1H2022: 26.0%)
- Profit attributable to equity holders of the Company for 1H2023 increased by 54.2% to HK\$40.7 million (1H2022: HK\$26.4 million) and the profit margin increased to 18.0% (1H2022: 12.1%)
- Earnings per share for profit attributable to equity holders of the Company for 1H2023 was HK 3.2 cents (1H2022: HK 2.1 cents)
- The Board has resolved not to pay an interim dividend for 1H2023

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 1H2022 as set forth below. The condensed consolidated interim 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 2022

		Six months ended	
		30 September	
		2022	2021
		<i>HK\$’000</i>	<i>HK\$’000</i>
	<i>Note</i>	(unaudited)	(unaudited)
Revenue	5	226,357	218,180
Cost of sales	7	(160,547)	(161,554)
Gross profit		65,810	56,626
Other income		1,562	1,794
Other gains/(losses), net	6	6,411	(126)
Selling and distribution expenses	7	(2,214)	(2,753)
Research and development expenses	7	(3,985)	(4,092)
Administrative expenses	7	(18,069)	(18,275)
Operating profit		49,515	33,174
Finance income		1,095	25
Finance costs		(1)	(16)
Profit before taxation		50,609	33,183
Income tax expenses	8	(9,930)	(6,799)
Profit for the period		40,679	26,384
Other comprehensive (loss)/income			
<i>Item that may be reclassified to profit and loss:</i>			
Currency translation difference		(10,380)	1,254
Total other comprehensive (loss)/income for the period, net of tax		(10,380)	1,254
Total comprehensive income for the period		30,299	27,638
Earnings per share for profit attributable to equity holders of the Company for the period (expressed in HK cents per share)			
Basic and diluted earnings per share	9	3.2	2.1

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2022

		As at 30 September 2022 <i>HK\$'000</i> (unaudited)	As at 31 March 2022 <i>HK\$'000</i> (audited)
	<i>Note</i>		
ASSETS			
Non-current assets			
Right-of-use assets		1,889	2,137
Property, plant and equipment		104,877	116,169
Investment property		637	655
Deposits and prepayments		4,541	2,062
Deferred income tax assets		1,126	2,064
		<u>113,070</u>	<u>123,087</u>
Current assets			
Inventories		38,443	59,638
Trade receivables	11	43,179	89,210
Contract assets		6,739	4,652
Other receivables, deposits and prepayments		7,881	10,598
Income tax recoverable		1,988	3,174
Pledged bank deposits		7,227	7,446
Cash and cash equivalents		234,168	172,229
		<u>339,625</u>	<u>346,947</u>
Total assets		<u><u>452,695</u></u>	<u><u>470,034</u></u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	13	12,786	12,786
Reserves		364,391	351,997
Total equity		<u><u>377,177</u></u>	<u><u>364,783</u></u>

		As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
LIABILITIES			
Non-current liability			
Deferred income tax liabilities		<u>4,383</u>	<u>5,648</u>
		<u>4,383</u>	<u>5,648</u>
Current liabilities			
Trade payables	<i>12</i>	37,559	68,519
Accruals and other payables		26,863	30,377
Borrowing		–	306
Lease liabilities		191	401
Income tax payable		<u>6,522</u>	<u>–</u>
		<u>71,135</u>	<u>99,603</u>
Total liabilities		<u>75,518</u>	<u>105,251</u>
Total equity and liabilities		<u><u>452,695</u></u>	<u><u>470,034</u></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 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 2022 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 2022, 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 2022, except for the adoption of new standards, amendments and interpretations of HKFRSs effective for the financial year ending 31 March 2023. A number of amended standards became applicable for the current reporting period.

Amendments to Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments
Amendments to Accounting Guideline 5 (revised)	Merger Accounting for Common Control Combinations

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 2022.

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:

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Personal care electrical appliances		
— Hair styling series	209,676	189,653
— Grooming series	13,159	16,783
— Beauty care series	—	1,470
	<hr/>	<hr/>
Sub-total	222,835	207,906
Lifestyle electrical appliances	—	366
Others ^(Note)	3,522	9,908
	<hr/>	<hr/>
	226,357	218,180
	<hr/> <hr/>	<hr/> <hr/>

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:

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Japan	131,270	79,394
United States	78,222	118,569
Europe	13,410	14,563
Others ^(Note)	3,455	5,654
	<hr/>	<hr/>
	226,357	218,180
	<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 GAINS/(LOSSES), NET

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Exchange gains/(losses), net	6,153	(126)
Net gains on disposal of property, plant and equipment	258	—
	<u>6,411</u>	<u>(126)</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	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Auditors' remuneration		
— Audit services	425	642
Changes in inventories of finished goods and work in progress	15,591	(12,924)
Consumables	877	734
Cost of moulds and tools	2,585	1,293
Custom and declaration	557	739
Depreciation of property, plant and equipment, investment property and right-of-use assets	6,944	6,599
Direct material costs	95,848	115,479
Land and building management fee	791	732
Legal and professional fee	1,381	1,529
Logistic expenses	208	554
Repair and maintenance expenses	1,401	1,443
Staff costs, including directors' remuneration	38,330	46,342
Subcontracting costs	12,116	13,763
Utilities	4,259	4,531
Other taxes and stamp duty	1,196	1,264
Other expenses	2,306	3,954
	<u>184,815</u>	<u>186,674</u>

8. INCOME TAX EXPENSES

For the six months ended 30 September 2022 and 2021, 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	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax		
— Current tax on profit for the period	<u>9,903</u>	<u>6,034</u>
Deferred taxation	<u>27</u>	<u>765</u>
Income tax expense	<u><u>9,930</u></u>	<u><u>6,799</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 2022 and 2021.

	Six months ended 30 September	
	2022	2021
	(unaudited)	(unaudited)
Net profit attributable to the owners of the Company (HK\$'000)	40,679	26,384
Weighted average number of ordinary shares in issue (in thousand)	<u>1,278,562</u>	<u>1,250,000</u>
Basic earnings per share (in HK cents)	<u><u>3.2</u></u>	<u><u>2.1</u></u>

(b) Diluted earnings per share

Diluted earnings per share for the period ended 30 September 2022 and 2021 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 2022, the Board has resolved not to declare any interim dividend (the six months ended 30 September 2021: Nil).

11. TRADE RECEIVABLES

Trade receivables are denominated in the following currencies:

	As at 30 September 2022 <i>HK\$'000</i> (unaudited)	As at 31 March 2022 <i>HK\$'000</i> (audited)
US\$	<u>43,179</u>	<u>89,210</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 2022 <i>HK\$'000</i> (unaudited)	As at 31 March 2022 <i>HK\$'000</i> (audited)
Up to 3 months	37,976	60,649
Over 3 months	<u>5,203</u>	<u>28,561</u>
	<u>43,179</u>	<u>89,210</u>

12. TRADE PAYABLES

Trade payable are denominated in the following currencies:

	As at 30 September 2022 <i>HK\$'000</i> (unaudited)	As at 31 March 2022 <i>HK\$'000</i> (audited)
US\$	1,707	1,405
HK\$	1,663	1,688
RMB	<u>34,189</u>	<u>65,426</u>
	<u>37,559</u>	<u>68,519</u>

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

	As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
Within 1 month	16,900	23,253
1–2 months	10,374	10,935
Up to 3 months	6,724	21,534
Over 3 months	3,561	12,797
	<u>37,559</u>	<u>68,519</u>

13. SHARE CAPITAL

	As at 30 September 2022		As at 31 March 2022	
	Number of shares (Unaudited)	Nominal Value HK\$ (Unaudited)	Number of shares (Audited)	Nominal value HK\$ (Audited)
<i>Authorised:</i>				
Ordinary shares of HK\$0.01 each as at the end of the period/year	<u>10,000,000,000</u>	<u>100,000,000</u>	<u>10,000,000,000</u>	<u>100,000,000</u>
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.01 each as at the beginning of the period/year	1,278,562,500	12,785,625	1,250,000,000	12,500,000
Issuance of new award shares (Note (i))	<u>–</u>	<u>–</u>	<u>28,562,500</u>	<u>285,562</u>
	<u>1,278,562,500</u>	<u>12,785,625</u>	<u>1,278,562,500</u>	<u>12,785,625</u>

Notes:

- (i) 20,937,500 shares and 7,625,000 shares were granted to certain employees and directors under the share award scheme on 28 June 2021 and 9 August 2021, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is principally engaged in the design, development and manufacturing of personal care and lifestyle electrical appliances on an ODM basis. Our customers are mainly international brand owners with products marketed mainly in the United States, Japan and Europe. Personal care electrical appliances that the Group provides can be broadly classified into three major categories, including the hair styling series, the grooming series and the beauty care series. In particular, the Group is specialized in its hair styling series which primarily target for the high-end market. We also co-design and develop with our customers and sell various kinds of lifestyle electrical appliances such as electric irons and bread makers.

BUSINESS REVIEW

During the Reporting Period, although the COVID-19 pandemic began to ease and came under control, the global economy still faced significant volatility and uncertainty. The global supply chain disruption together with the Russia-Ukraine conflict led to the rise of raw material and energy costs. Consequently, the inflation pressure surged and the interest rate of US\$ continued to rise and had become relatively strong for the Reporting Period.

Against this backdrop, the revenue of the Group for 1H2023 increased by 3.7% to approximately HK\$226.4 million. The growth was attributable to the increase in sales of the hair styling series for which the demand from the Japan market rose and the sales increased by 65.3% to HK\$131.2 million. However, it was partly offset by the drop of demand from the United States market in which the sales decreased by 34.0% to HK\$78.2 million.

Further, the sales of the grooming products decreased as these products were old models and hence their demand from a major customer was dropping.

Also, the major customer in respect of the beauty care products shifted the purchase orders to the Group's hair styling products during the Reporting Period.

The Group continued to apply stringent control on all costs and expenses, for example, the staff cost decreased by 17.3% or HK\$8.0 million for the Reporting Period as the Group streamlined its operation and reduced unnecessary headcounts.

Due to the depreciation in RMB against strong USD, the Group recognized an exchange gain of approximately HK\$6.2 million for the Reporting Period, which contributed to the increase of 54.2% or HK\$14.3 million in the profit attributable to the equity holders of the Company for the Reporting Period as compared with the same period last year.

PROSPECTS

Stepping into the second half of the financial year ending 31 March 2023, the Group expects the global economy to remain complex and it will continue to face profound uncertainties. The financial results of the Group for the six months ending 31 March 2023 would depend on various factors including but not limited to the operating performance and cost control of the Group and external factors such as exchange rate and interest rate which are subject to change in future.

Regarding the operating performance, the Group will continue to focus on its core business and put greater efforts and innovation to keep our products competitive. While we would continuously devote resources to enhance the research and development capabilities of our technical team, we have worked closely with our existing customers to understand their needs so as to strengthen our long-term and stable relationship with them.

In the meantime, the Group is actively preparing for the launch of the beauty care device and smart toilet under our own brand in the Mainland China market, in the first and second half of Year 2023, respectively, aiming at bringing revenue and growth opportunities to the Group's business.

The Group will continue to drive for the automation of production lines and enhance its production efficiency and capacity and control manufacturing costs.

With our prudent and pragmatic approach, financial capabilities and pursuit to excel, our management believes that the Group is well-equipped to deal with the current and forthcoming difficulties and challenges and to maintain sustainable growth.

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by approximately HK\$8.2 million (approximately 3.7%) from approximately HK\$218.2 million for 1H2022 to approximately HK\$226.4 million for 1H2023. Such increase was mainly attributable to the increase in the sales of the hair styling series of the personal care electrical appliances, partially offset by the decrease in sales of grooming and beauty care series of the personal care electrical appliances.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$9.2 million (approximately 16.3%) to approximately HK\$65.8 million for the 1H2023 (1H2022: approximately HK\$56.6 million). The gross profit margin increased to 29.1% for the Reporting Period (1H2022: 26.0%). The increase in Group's gross profit and gross profit margin were

mainly attributable to (i) the increase in revenue of the hair styling series, (ii) the decrease in direct labour cost as the Group streamlined its operation to control cost, resulting in the reduction in headcount and (iii) the depreciation in RMB against USD.

Administrative expenses

The administrative expenses of the Group slightly decreased by approximately HK\$0.2 million (approximately 1.1%) to approximately HK\$18.1 million for 1H2023 (1H2022: approximately HK\$18.3 million).

Finance costs

The Group's finance costs represented interest on bank borrowings. The Group recorded finance costs of approximately HK\$1,000 during the Reporting Period (1H2022: HK\$16,000). The Group had no bank borrowings as at 30 September 2022.

Income tax expenses

The Group's income tax expenses increased by HK\$3.1 million or 46.1% to approximately HK\$9.9 million for 1H2023 (1H2022: approximately HK\$6.8 million). The effective tax rate of the Group for 1H2023 was approximately 19.6% and for 1H2022 was approximately 20.5%.

Net profit

Profit attributable to the equity holders of the Company increased by approximately HK\$14.3 million (approximately 54.2%) from approximately HK\$26.4 million for 1H2022 to approximately HK\$40.7 million for 1H2023. The Group's net profit margin increased from 12.1% for 1H2022 to 18.0% for 1H2023. The increase was attributable to the recognition of exchange gains of approximately HK\$6.2 million due to the depreciation in RMB against USD and also the rise of the gross profit margin as mentioned above.

OTHER INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Funding and Treasury Policy

During the Reporting Period, the Group funded the operations primarily with net cash generated from its operations, bank borrowings and the global offering. 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 2022, the Group maintained cash and bank balances of approximately HK\$234.2 million (as at 31 March 2022: approximately HK\$172.2 million). The Group will continue to maintain a healthy liquidity position to fund its future business development.

Borrowings, Charge on Assets and Gearing Ratio

As at 30 September 2022, the Group had no borrowings (as at 31 March 2022: approximately HK\$0.3 million).

As at 30 September 2022, the Group had unutilised banking facilities of approximately HK\$34.5 million 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\$3.7 million as at 30 September 2022 (as at 31 March 2022: approximately HK\$3.8 million); (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\$637,000 as at 30 September 2022 (as at 31 March 2022: approximately HK\$655,000) ; (iii) a charge over a deposit by the Group placed with the bank amounted to approximately US\$642,000 as at 30 September 2022 (equivalent to approximately HK\$5.0 million) (same as at 31 March 2022); and (iv) corporate guarantee by the Company.

The Group is 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 where appropriate.

As at 30 September 2022, the gearing ratio of the Group was 0.0% (as at 31 March 2022: 0.1%). The gearing ratio is calculated by dividing the Group's interest-bearing borrowing by Group's total equity as at the end of the respective financial period and multiplied by 100%. Such decrease was mainly due to the decrease in interest-bearing bank borrowings of the Group.

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 2022, the Group had capital commitments contracted but not provided for property, plant and equipment amounted to approximately HK\$0.8 million (as at 31 March 2022: approximately HK\$1.6 million).

CONTINGENT LIABILITIES

As at 30 September 2022, the Group did not have any material contingent liabilities (as at 31 March 2022: 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 AND EXPECTED SOURCE OF FUNDING

Saved as disclosed in the prospectus of the Company dated 31 August 2020 (the “**Prospectus**”) and this announcement, the Group had no future plans for material investments or capital assets as at 30 September 2022. 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 2022, the Group had a total of 554 employees (as at 31 March 2022: 778). 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\$38.3 million (1H2022: approximately HK\$46.3 million).

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 2022 and up to the date of this announcement.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for 1H2023 (1H2022: Nil).

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the Global Offering (as defined in the Prospectus) were approximately HK\$66.2 million. During the period from the date of Listing to 1H2023, the net proceeds from the Global Offering had been applied as follows:

Business objective as stated in the Prospectus	Percentage of total net proceeds (Note 1)	Planned use of actual net proceeds (Note 2) HK\$ million	Amount of unutilised net proceeds as at 31 March 2022 HK\$ million	Actual use of net proceeds during the Reporting Period HK\$ million	Amount unutilised as at 30 September 2022 (Note 3) HK\$ million	Estimated timeline for the utilisation of the unutilised net proceeds (Note 4)
Expanding and upgrading the Company's production facilities to enhance the Company's production capabilities	54.5%	36.1	25.2	(1.2)	24.0	By June 2023
Enhancing the Company's research and engineering capabilities	24.8%	16.4	16.1	(0.2)	15.9	By December 2023 (Note 5)
Introducing new products carrying the Company's "GIB" brand	12.9%	8.5	7.2	(3.1)	4.1	By June 2023
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 June 2023
Upgrading the Company's information technology system and design-aided software	4.3%	2.9	2.9	(0.1)	2.8	By June 2023
	<u>100%</u>	<u>66.2</u>	<u>53.7</u>	<u>(4.6)</u>	<u>49.1</u>	

Note:

- The Company remains committed to the original allocation of the net proceeds from the Global Offering as disclosed in the Prospectus.
- The net proceeds from the Global Offering, after deduction of the underwriting fees and expenses paid by the Company in connection with the Global Offering were approximately HK\$66.2 million. 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.
- As at 30 September 2022, net proceeds not yet utilised were deposited with certain licensed banks in Hong Kong.
- 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.
- As affected by the persistent outbreak of the COVID-19 pandemic since the beginning of 2020, the Company's original plan and timeframe for the utilisation of net proceeds from the Global Offering have been generally delayed. Moreover Shenzhen, in which the production plant of the Group is located, saw rebound in new COVID-19 infections during the Reporting Period. This has brought difficulties to the Group in implementing the enhancement of the Company's research and engineering capabilities. Therefore, the utilization of funds for enhancing the Company's research and engineering capabilities is expected to delay from March 2023 to December 2023. The Company was of the view that it would be beneficial to adopt a more prudent strategy to the use of proceeds and should be appropriately adjusted to maintain flexibility for better accommodation of the changing market conditions, industry environment and the actual condition of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 of, as at 30 September 2022, 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 of Hong Kong Limited (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 (<i>Note 1</i>)	Approximate percentage of shareholding interest
Mr. Li Shu Yeh (<i>Note 2</i>)	Interest in controlled corporation (<i>Note 3</i>)	468,750,000 Shares (L)	36.7%
Ms. Li Sen Julian	Beneficiary owner	3,812,500 Shares (L)	0.3%
Ms. Tang Suk Yee	Beneficiary owner	3,812,500 Shares (L)	0.3%

Notes:

1. The letter “L” denotes the person’s long position in the shares of the Company (the “**Shares**”).
2. As at 30 September 2022, Ace Champion Inc. (“**Ace Champion**”) was 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 in 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 36.7% of the issued share capital of the Company as at 30 September 2022.

Save as disclosed above and so far as the Directors are aware of, as at 30 September 2022, 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 2022, 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 person/corporation	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)	36.7%
Forever Golden (Note 3)	Beneficial owner	468,750,000 Shares (L)	36.7%
Ms. Sit Hor Wan (Note 4)	Interest in controlled corporation	468,750,000 Shares (L)	36.7%
Ms. Chan Pan Pan (Note 5)	Interest of spouse	468,750,000 Shares (L)	36.7%
Mr. Loo Kin Kuen Stephen (Note 6)	Interest of spouse	468,750,000 Shares (L)	36.7%

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 36.7% of the issued share capital of the Company as at 30 September 2022. The entire issued share capital of Ace Champion is beneficially owned by Mr. Li Shu Yeh.
- 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 36.7% 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.

5. 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.
6. 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 2022, 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 C.2.1 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, 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 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 the chairman and chief executive officer will provide strong and consistent leadership to the Group and facilitate the efficient execution of the 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.

The Directors will review the corporate governance policies regularly to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the Reporting Period and up to the date of this announcement.

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 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 was granted by the Company under the Share Option Scheme since its adoption and up to 30 September 2022.

CHANGE IN INFORMATION OF DIRECTORS

There is 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 purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS INTERESTS IN COMPETING BUSINESS

The Directors confirm that neither the controlling shareholders of the Company nor their respective close associates (as defined in the Listing Rules) is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the Reporting Period, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company maintained the prescribed public float under the Listing Rules during the Reporting Period and as at the date of this announcement.

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 and the Company's website at 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 D.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, 28 November 2022

As at the date of this announcement, the executive Directors are Mr. Li Shu Yeh, Ms. Li Sen Julian, 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.