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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 March 2023 (“**FY2023**” or the “**Reporting Period**”) decreased by 22.8% to approximately HK\$365.6 million, when compared with approximately HK\$473.4 million for the year ended 31 March 2022 (“**FY2022**”).
- Gross profit for FY2023 decreased by 6.5% to approximately HK\$112.4 million (FY2022: approximately HK\$120.2 million). The gross profit margin increased by 5.3 percentage points to 30.7% for FY2023 (FY2022: 25.4%).
- Profit attributable to equity holders of the Company for FY2023 increased by 7.5% to approximately HK\$64.2 million (FY2022: HK\$59.7 million) and the profit margin also increased by 5.0 percentage points to 17.6 % (FY2022: 12.6%). The increase was mainly due to the rise of the gross profit margin as mentioned in above.
- Earnings per share for profit attributable to equity holders of the Company for FY2023 was HK5.0 cents (FY2022: HK4.7 cents).
- The Board proposed to declare a final dividend and a special dividend of HK1.5 cents per share and HK0.8 cent per share, respectively, totalling HK2.3 cents per share for FY2023 (FY2022: a final dividend of HK1.5 cents per share).

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Fourace Industries Group Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the Reporting Period, together with comparative figures for FY2022 as set forth below.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

		Year ended 31 March	
		2023	2022
	Note	HK\$'000	HK\$'000
Revenue	3	365,561	473,390
Cost of sales	5	(253,150)	(353,210)
Gross profit		112,411	120,180
Other income		3,154	3,542
Other gains/(losses), net	4	3,954	(180)
Selling and distribution expenses	5	(4,458)	(5,310)
Research and development expenses	5	(8,377)	(8,771)
Administrative expenses	5	(35,617)	(37,397)
Operating profit		71,067	72,064
Finance income		5,224	251
Finance costs		(1)	(24)
Profit before taxation		76,290	72,291
Income tax expenses	6	(12,085)	(12,570)
Profit for the year		64,205	59,721
Other comprehensive income for the year			
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation difference		(6,991)	3,260
Other comprehensive income for the year, net of tax		(6,991)	3,260
Total comprehensive income for the year		57,214	62,981
Earnings per share for profit attributable to equity holders of the Company for the year			
Basic and diluted earnings per share (HK cents per share)	7	5.0	4.7

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2023

		As at 31 March	
		2023	2022
	<i>Note</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Right-of-use assets		1,661	2,137
Property, plant and equipment		103,570	116,169
Investment property		619	655
Prepayments	11	4,575	2,062
Deferred income tax assets		2,330	2,064
		<u>112,755</u>	<u>123,087</u>
Current assets			
Inventories	9	31,656	59,638
Trade receivables	10	39,140	89,210
Contract assets		8,389	4,652
Other receivables, deposits and prepayments	11	8,579	10,598
Income tax recoverable		1,817	3,174
Pledged bank deposits	12	7,317	7,446
Cash and cash equivalents	12	247,126	172,229
		<u>344,024</u>	<u>346,947</u>
Total assets		<u><u>456,779</u></u>	<u><u>470,034</u></u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	13	12,786	12,786
Reserves		392,578	351,997
Total equity		<u><u>405,364</u></u>	<u><u>364,783</u></u>

		As at 31 March	
		2023	2022
	<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		<u>6,053</u>	<u>5,648</u>
		<u>6,053</u>	<u>5,648</u>
Current liabilities			
Trade payables	<i>14</i>	24,440	68,519
Accruals and other payables	<i>15</i>	20,703	30,377
Borrowing		–	306
Lease liabilities		–	401
Income tax payable		219	–
		<u>45,362</u>	<u>99,603</u>
Total liabilities		<u>51,415</u>	<u>105,251</u>
Total equity and liabilities		<u>456,779</u>	<u>470,034</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

General information

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 consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under historical cost convention.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(i) New standards, amendments to standards and new interpretation adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2022:

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

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

(ii) *New and amended standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for these reporting periods and have not been early adopted by the Group.

		Effective for accounting year beginning on or after
HKFRS 17	Insurance Contracts (new standard)	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 (Comparative Information)	1 January 2023
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	1 January 2024
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HKAS 1 (Amendments)	Non-current liabilities with Covenants	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The Group is in the process of making an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, management does not anticipate any significant impact on the Group's financial positions and results of operations.

3 SEGMENT INFORMATION AND REVENUE

The executive directors of the Company have been identified as the chief operating decision-maker 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-maker assesses the performance of the company business based on a measure of operating results and considers the company business in a single operating segment. Information reported to the chief operating decision-maker 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.

During the year ended 31 March 2023, all of the Group's revenues are from contracts with customers and are recognised at a point in time.

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

	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Japan	220,632	184,383
United States	103,952	233,670
Europe	24,776	31,798
Others (<i>Note</i>)	16,201	23,539
	<u>365,561</u>	<u>473,390</u>

Note: Others mainly include the PRC and other countries within the Asia Pacific region (2022: same).

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Customer A	129,807	98,705
Customer B	124,065	255,588
Customer C	67,444	72,622
	<u>321,316</u>	<u>426,915</u>

The five largest customers accounted for approximately 99.4% of the revenue of the Group for the year (2022: approximately 99.8%).

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

	Year ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Personal care electrical appliances		
— Hair styling series	328,703	416,192
— Grooming series	22,554	30,450
— Beauty care series	1,100	3,326
	<hr/>	<hr/>
Sub-total	352,357	449,968
	<hr/>	<hr/>
Lifestyle electrical appliances	–	366
Others (<i>Note</i>)	13,204	23,056
	<hr/>	<hr/>
	365,561	473,390
	<hr/> <hr/>	<hr/> <hr/>

Note: Others mainly represented moulds and tools and spare parts.

4 OTHER GAINS/(LOSSES), NET

	Year ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange gains/(losses), net	3,607	(345)
Net gains on disposal of property, plant and equipment	347	165
	<hr/>	<hr/>
	3,954	(180)
	<hr/> <hr/>	<hr/> <hr/>

5 EXPENSES BY NATURE

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

	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Auditors' remuneration		
— Audit services	820	1,350
— Non-audit services	349	105
Land and building management fee	1,534	1,521
Cost of inventories sold	167,949	222,439
Cost of moulds and tools	4,737	7,061
Custom and declaration handling expenses	986	1,411
Depreciation of property, plant and equipment, investment property and right-of-use assets	13,293	13,493
Write down of inventories	733	1,837
Provision for impairment of property, plant and equipment	303	—
Repair and maintenance expenses	2,028	2,814
Staff costs, including directors' remuneration	68,142	96,380
Legal and professional fee	2,685	2,986
Logistics expenses	348	852
Utilities	7,269	8,867
Subcontracting costs	18,884	29,243
Materials and consumables	2,901	3,778
Cleaning and sewage fee	987	1,641
Other taxes and stamp duty	1,841	2,470
Other expenses	5,813	6,440
	<u>301,602</u>	<u>404,688</u>

6 INCOME TAX EXPENSES

Income tax on profits

Income tax on profits arising from Hong Kong has been calculated on the estimated assessable profits at the rate of 16.5% for the year ended 31 March 2023 (2022: 16.5%).

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying group entity in Hong Kong will be taxed at 8.25% (2022: 8.25%), and profits above HK\$2 million will be taxed at 16.5% (2022: 16.5%).

The Group's subsidiary in the PRC is subject to the PRC enterprise income tax at a rate of 25% (2022: 25%) on estimated assessable profits.

	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Hong Kong profits tax	10,186	10,652
PRC corporate income tax	1,460	1,343
Deferred taxation	439	575
	<u>12,085</u>	<u>12,570</u>
Income tax expense	<u>12,085</u>	<u>12,570</u>

7 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year ended 31 March 2023.

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Year ended 31 March	
	2023	2022
Profit attributable to equity holders of the Company (HK\$'000)	64,205	59,721
Weighted average number of shares in issue (in thousands)	1,278,563	1,260,609
Basic earnings per share (HK cents per share) (Note)	<u>5.0</u>	<u>4.7</u>

Note:

Diluted earnings per share for the year ended 31 March 2023 were the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the year (2022: same).

8 DIVIDENDS

	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Final dividend recognised as distribution to ordinary shareholders during the year	<u>19,178</u>	<u>47,500</u>
Proposed final dividend of HK1.5 cents (2022: HK1.5 cents) per share	19,178	19,178
Proposed special dividend of HK0.8 cent (2022: nil) per share	<u>10,229</u>	<u>–</u>
	<u>29,407</u>	<u>19,178</u>

The Board of Directors proposed to declare a final dividend and a special dividend of HK1.5 cents per share and HK0.8 cent per share, respectively, for the year, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9 INVENTORIES

	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
Raw materials	17,978	30,263
Work-in-progress	6,456	10,334
Finished goods	7,222	19,041
	<u>31,656</u>	<u>59,638</u>

The cost of inventories sold recognised as expense and included in cost of sales amounted to HK\$167,949,000 for the year ended 31 March 2023 (2022: HK\$222,439,000).

During the year, the Group has an additional write down of inventories of HK\$733,000 which was included in cost of sales for the year ended 31 March 2023 (2022: HK\$1,837,000).

10 TRADE RECEIVABLES

	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
Trade receivables	<u>39,140</u>	<u>89,210</u>

The Group's sales are on credit terms primarily ranging from 30 to 120 days. At 31 March 2022 and 2023, the ageing analysis of the trade receivables, based on invoice date, was as follows:

	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
Up to 3 months	36,999	60,649
3 to 6 months	<u>2,141</u>	<u>28,561</u>
	<u>39,140</u>	<u>89,210</u>

The Group applies the simplified approach to provide credit losses prescribed by HKFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics to measure the expected credit losses. Based on the assessment, provision for expected credit loss of trade receivables amounted to HK\$6,000 (2022: HK\$13,000) was provided.

The maximum exposure to credit risk as at 31 March 2023 was the carrying amounts of the trade receivables (2022: same). The Group did not hold any collateral as security. The carrying amounts of trade receivables approximate their fair values.

The carrying amounts of trade receivables are denominated in the following currencies:

	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
United States dollars (“US\$”)	39,001	89,210
Renminbi (“RMB”)	139	–
	<u>39,140</u>	<u>89,210</u>

11 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
Non-current		
Prepayments for purchase of property, plant and equipment	4,575	2,062
	<u>4,575</u>	<u>2,062</u>
Current		
Deposits	200	192
Prepayments	4,927	5,725
Interest receivables	1,532	92
Other receivables	858	1,019
Value-added tax recoverable	1,062	3,570
	<u>8,579</u>	<u>10,598</u>
	<u>13,154</u>	<u>12,660</u>

The carrying amounts of other receivables, deposits and prepayments are denominated in the following currencies:

	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
RMB	10,599	11,496
HK\$	734	722
US\$	1,821	442
	<u>13,154</u>	<u>12,660</u>

12 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
Pledged bank deposits	<u>7,317</u>	<u>7,446</u>
Cash at banks	247,083	172,182
Cash on hand	<u>43</u>	<u>47</u>
	<u>247,126</u>	<u>172,229</u>
Maximum exposure to credit risk	<u>254,400</u>	<u>179,628</u>

As at 31 March 2023, bank deposit of HK\$5,026,000 (2022: HK\$4,974,000) is pledged to secure banking facilities granted to the Group. The effective interest rate of pledged bank deposits was 0.30% per annum (2022: 0.01% per annum) and had a renewal period of 31 days. The carrying amount of the Group's pledged bank deposits was denominated in US\$.

As at 31 March 2023, pledged bank deposit of HK\$2,291,000 (2022: HK\$2,472,000) is held in designated bank account as collateral for a bank guarantee of the Group as requested by Shenzhen Electric Power Supply Bureau for stabilising electricity supply. The effective interest rate of pledged bank deposits was 0.29% (2022: 0.28%). The carrying amount of pledged bank deposit as at 31 March 2023 approximates its fair value and is denominated in RMB.

Cash and cash equivalents are denominated in the following currencies.

	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
US\$	213,317	158,874
RMB	29,733	5,420
HK\$	4,054	7,913
EURO	12	12
Japanese Yen	<u>10</u>	<u>10</u>
	<u>247,126</u>	<u>172,229</u>

As at 31 March 2023, cash and cash equivalents of HK\$21,756,000 (2022: HK\$5,601,000) were held in the PRC banks and were subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

13 SHARE CAPITAL

	As at 31 March 2023		As at 31 March 2022	
	Number of ordinary shares	Nominal value of ordinary shares HK\$	Number of ordinary Shares	Nominal value of ordinary shares HK\$
<i>Authorised:</i>				
Ordinary shares of HK\$0.01 each as at the end of the 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 year	1,278,562,500	12,785,625	1,250,000,000	12,500,000
Issuance of new award shares (<i>Note (i)</i>)	–	–	28,562,500	285,625
	<u>1,278,562,500</u>	<u>12,785,625</u>	<u>1,278,562,500</u>	<u>12,785,625</u>

Note:

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

14 TRADE PAYABLES

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

	As at 31 March	
	2023 HK\$'000	2022 HK\$'000
Within 1 month	10,474	23,253
1–2 months	8,140	10,935
2–3 months	2,158	21,534
Over 3 months	<u>3,668</u>	<u>12,797</u>
	<u>24,440</u>	<u>68,519</u>

The credit terms of trade payables granted to the Group are usually cash on delivery and from 30 to 90 days.

Trade payables are denominated in the following currencies:

	As at 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
US\$	594	1,405
HK\$	1,481	1,688
RMB	22,344	65,426
Japanese Yen	21	–
	<u>24,440</u>	<u>68,519</u>

The carrying amounts of the trade payables approximate their fair values.

15 ACCRUALS AND OTHER PAYABLES

	As at 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrued expenses		
— Staff costs	3,633	7,318
— Others	1,910	2,445
Contract liabilities	11,497	15,931
Provision for employees' benefit	1,093	1,203
Other payables	2,570	3,480
	<u>20,703</u>	<u>30,377</u>

The carrying amounts of accruals and other payables are denominated in the following currencies:

	As at 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
US\$	10,076	15,462
RMB	7,089	11,979
HK\$	3,538	2,936
	<u>20,703</u>	<u>30,377</u>

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 produced by the Group 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 hair dryers within its hair styling series which primarily target at the high-end market. We also co-design and develop with our customers various kinds of lifestyle electrical appliances such as electric irons and bread makers for sale.

Business Review

During the Reporting Period, the Group faced various challenges such as: the supply chain disruption due to COVID-19, the ongoing Russia-Ukraine military conflict, the rising of energy costs, high inflation as well as increase of interest rate.

To deal with the challenges during this difficult time, the Group continued to innovate high value-added products to the customers to increase sales revenue and improve the gross profit margin. In the meantime, it focused on stringent cost control, streamlining and consolidation across all aspects of operations to reduce expenses and improvement of efficiency.

In FY2023, the Group recorded revenue of approximately HK\$365.6 million, representing a year-on-year decrease of approximately 22.8% (FY2022: approximately HK\$473.4 million). In particular, the sales turnover of the hair styling series products decreased by approximately 21.0% to approximately HK\$328.7 million (FY2022: approximately HK\$416.2 million). The drop in sales turnover of the hair styling series products was primarily attributable to the drop in the demand of the United States market. The sales turnover of the Group's products in the U.S. market decreased year-on-year by approximately 55.5% to approximately HK\$104.0 million (FY2022: approximately HK\$233.7 million). However, such decrease was partly offset by the continuous increase in the demand of the Japan market and the sales turnover increased year-on-year by approximately 19.6% to approximately HK\$220.6 million (FY2022: approximately HK\$184.4 million).

The Group's gross profit margin increased year-on-year by approximately 5.3% to approximately 30.7% (FY2022: approximately 25.4%) which was mainly attributable to (i) the decrease in direct labour cost as a result of the Group's cost control measures streamlining and reducing redundant headcounts; and (ii) the depreciation of RMB against USD.

The profit attributable to equity holders of the Group increased year-on-year by approximately 7.5% to approximately HK\$64.2 million (FY2022: approximately HK\$59.7 million).

PROSPECTS

Mainland China has adjusted its COVID-19 approach in December 2022 and eased most of the anti-epidemic restrictions. Looking ahead to FY2024, it is expected that the pace of worldwide economic recovery will accelerate and a strong impetus is expected in the consumer market.

We strongly believe research and development innovations could help the Group to enter new market segments, to diversify our business risks and improve our profit margins. The Group would continue to devote resources to enhance the research and development capabilities of our technical team.

In the meantime, we will seek growth opportunities through the exploration of new revenue stream in the consumer market by introducing high value-added products to the customers. We would continuously deepen our understanding of our customer's needs and extend support to our customers in various tiers of markets. On the other hand, adhering to our business strategy and commitment upon the listing of the Shares on the Stock Exchange (the "**Listing**") we would continue to focus on the development of our own branded products and launch them in potential markets based on an Original Brand Manufacturers ("**OBM**") model.

Finally, the Group would continue to apply stringent controls on all the costs and expenses, streamline operation procedures and process and improve operational efficiency.

FINANCIAL REVIEW

Revenue

The total revenue of the Group decreased by approximately HK\$107.8 million or 22.8% from approximately HK\$473.4 million for FY2022 to approximately HK\$365.6 million for FY2023. Such decrease was mainly attributable to the decrease in sales of hair styling series of the personal care electrical appliances.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$7.8 million or 6.5% to approximately HK\$112.4 million for FY2023 (FY2022: approximately HK\$120.2 million). The gross profit margin increased by approximately 5.3 percentage points to approximately 30.7% for FY2023 (FY2022: approximately 25.4%) which was mainly attributable to decrease in direct labour costs and the depreciation in RMB against USD.

Administrative expenses

The administrative expenses of the Group slightly decreased by approximately HK\$1.8 million or 4.8% to approximately HK\$35.6 million for FY2023 (FY2022: approximately HK\$37.4 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 (FY2022: approximately HK\$24,000). The Group had no bank borrowings since June 2022.

Income tax expenses

The Group's income tax expenses decreased by approximately HK\$0.5 million or 4.0% to approximately HK\$12.1 million for FY2023 (FY2022: approximately HK\$12.6 million). The effective tax rate of the Group for FY2023 was approximately 15.8% (FY2022: approximately 17.4%).

Net profit

Profit attributable to the equity holders of the Company increased by approximately HK\$4.5 million or 7.5% from approximately HK\$59.7 million for FY2022 to approximately HK\$64.2 million for FY2023. The Group's net profit margin increased by approximately 5.0 percentage points from approximately 12.6% to approximately 17.6% during the same period. The increase was attributable to the depreciation in RMB against USD and also the rise of the gross profit margin as mentioned in above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Funding and Treasury Policy

During the Reporting Period, the Group has principally funded the liquidity and capital requirements through capital contributions from the shareholders of the Company and net cash generated from its operations. The funds were primarily used for purchase of raw materials, various operating expenses and capital expenditure. The liquidity of the Group and its working capital and finance requirements was closely monitored by the Board on a regular basis.

Liquidity

As at 31 March 2023, the Group maintained cash and bank balances of approximately HK\$247.1 million (as at 31 March 2022: approximately HK\$172.2 million). The Group will continue to maintain a healthy liquidity position to fund its operations and future business development.

Borrowings, Charge on Assets and Gearing Ratio

As at 31 March 2023, the Group had no bank borrowings (as at 31 March 2022: approximately HK\$0.3 million).

As at 31 March 2023, the Group had unutilised banking facilities of approximately HK\$34.5 million and are 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\$3.6 million as at 31 March 2023 (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\$619,000 as at 31 March 2023 (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 31 March 2023 (equivalent to approximately HK\$5.0 million) (same as at 31 March 2022); and (iv) corporate guarantee by the Company.

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, where appropriate.

As at 31 March 2023, the gearing ratio of the Group was nil (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 Renminbi 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 31 March 2023, the Group had capital commitments contracted but not provided for property, plant and equipment amounted to approximately HK\$1.7 million (as at 31 March 2022: approximately HK\$1.6 million).

CONTINGENT LIABILITIES

As at 31 March 2023, the Group did not have any material contingent liabilities (as at 31 March 2022: nil).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION 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 31 March 2023. 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 31 March 2023, the Group had a total of 541 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 salary of its management, engineering, and technical staff is generally determined with reference to the same industry standards and the staff may be entitled allowance and bonus based on their performance evaluation. The Group conducts employee performance review annually to evaluate and adjust its 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\$68.1 million (as at 31 March 2022: approximately HK\$96.4 million).

Also, training is provided to employees of the Group depending on their departments and the scope of their responsibilities. The human resources department would also arrange for employees to attend training, especially in regards to workplace health and safety.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Up to the date of this announcement, there are no important events occurred after the Reporting Period that may affect the Group.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board recommended a final dividend and a special dividend of HK1.5 cents per share and HK0.8 cent per share, respectively (FY2022: a final dividend of HK1.5 cents) to shareholders whose names appear on the register of members of the Company on Wednesday, 16 August 2023 (the "**Proposed Final Dividends**"). The Proposed Final Dividends are subject to the approval of the shareholders of the Company at the annual general meeting expected to be held on Wednesday, 9 August 2023. The Proposed Final Dividends are expected to be paid on or around 31 August 2023. As at the date of this announcement, the Board was not aware that any shareholder had waived or agreed to any arrangement to waive dividends.

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 FY2023, 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 31 March 2023 (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	(3.8)	21.4	By June 2024
Enhancing the Company's research and engineering capabilities	24.8%	16.4	16.1	(0.4)	15.7	By June 2024
Introducing new products carrying the Company's "GHA" brand	12.9%	8.5	7.2	(5.2)	2.0	By June 2024
Enhancing the Company's sales and marketing efforts in the global market including the PRC market	3.5%	2.3	2.3	(0.8)	1.5	By June 2024
Upgrading the Company's information technology system and design-aided software	4.3%	2.9	2.9	(0.2)	2.7	By June 2024
	<u>100%</u>	<u>66.2</u>	<u>53.7</u>	<u>(10.4)</u>	<u>43.3</u>	

Notes:

- 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 31 March 2023, 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. 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.

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 31 March 2023, 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 (Note 1)	Approximate percentage of shareholding interest
Mr. Li Shu Yeh (Note 2)	Interest in controlled corporation (Note 3)	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 31 March 2023, 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 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 31 March 2023.

Save as disclosed above and so far as the Directors are aware, as at 31 March 2023, 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 31 March 2023, 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 31 March 2023. 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.
- 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 31 March 2023, 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 year ended 31 March 2023, except as disclosed below.

Code provision C.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 (“**Mr. SY Li**”), 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. SY Li 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. SY Li 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 31 March 2023.

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 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 during the Reporting Period and as at the date of this announcement.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company is currently expected to be held on Wednesday, 9 August 2023 (the “**AGM**”) and the notice of the AGM will be published and despatched in the manner as required by the Listing Rules and the articles of association of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 4 August 2023 to Wednesday, 9 August 2023 (both days inclusive), during such period no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 pm on Thursday, 3 August 2023.

The record date for the Proposed Final Dividends will be Wednesday, 16 August 2023. The Company's register of members will be closed from Tuesday, 15 August 2023 to Wednesday, 16 August 2023 (both days inclusive) in order to determine entitlements to the Proposed Final Dividends. During such period, no transfer of Shares will be effected. In order to qualify for the Proposed Final Dividends, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 14 August 2023. Subject to the approval of shareholders of the Company at the AGM, dividend warrants will be despatched to shareholders on or around 31 August 2023.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. As at 31 March 2023, the Audit Committee has three members, who are all independent non-executive Directors, being Mr. Liu Kai Yu Kenneth (Chairman of the Audit Committee), Mr. Leung Wai Chuen and Mr. Man Yun James. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the annual results and the audited consolidated financial statements for the year ended 31 March 2023 of the Group.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of comprehensive income, the consolidated balance sheet, and the related notes thereto for the year ended 31 March 2023 as set out in this results announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 March 2023. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary results announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Company's annual results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.fourace.com.

The annual report of the Company for the year ended 31 March 2023 containing the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders in due course.

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 June 2023

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.