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If you have sold or transferred all your shares in Fourace Industries Group Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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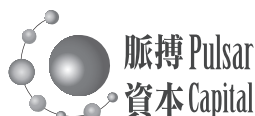
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FOURACE INDUSTRIES GROUP HOLDINGS LIMITED
科利實業控股集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1455)

(1) CONNECTED TRANSACTION
PROPOSED ISSUE OF NEW AWARD SHARES TO CONNECTED
GRANTEES PURSUANT TO SPECIFIC MANDATE
AND
(2) NOTICE OF EGM

Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders



Capitalised terms used in this cover page have the same meanings as defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 5 to 17 of this circular. A letter from the Independent Board Committee is set out on pages 18 to 19 of this circular. A letter from Pulsar Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 40 of this circular.

A notice convening the EGM to be held at Crystal Room IV, 3/F, Panda Hotel, 3 Tsuen Wah Street, Tsuen Wan, Hong Kong on Monday, 9 August 2021 at 11:30 a.m. or immediately after the conclusion of the annual general meeting of the Company to be held on the same day, whichever is later, is set out on pages 47 to 49 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you intend to attend and vote at the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so desire.

PRECAUTIONARY MEASURES FOR THE EGM

Please see page 1 of this circular for measures being taken at the EGM to try to prevent and control the spread of the COVID-19 pandemic, including:

- compulsory temperature checks
- compulsory wearing of surgical face masks
- no distribution of corporate gifts and refreshments
- appropriate distancing and spacing

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company reminds that any Shareholder may appoint the chairman of the EGM as his/her/its proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person.

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PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 pandemic and in line with the Hong Kong Government's directive on social distancing, personal and environmental hygiene, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendees at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the EGM venue or be required to leave the EGM venue at the absolute discretion of the Company.
- (ii) All attendees are required to wear surgical face masks inside the EGM venue at all times, and to maintain a safe distance with other attendees.
- (iii) No refreshments will be served, and there will be no corporate gifts.
- (iv) Appropriate distancing and spacing at the EGM venue will be maintained to avoid over-crowding.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interests of all stakeholders' health and safety and in response to the relevant guidelines prescribed by the Hong Kong Government on prevention and control of COVID-19 pandemic, Shareholders are reminded that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights, and are strongly encouraged to appoint the chairman of the EGM as proxy to attend and vote on the relevant resolutions at the EGM by completing form of proxy in accordance with the instructions printed thereon instead of attending the EGM or any adjourned meeting in person.

If Shareholders choosing not to attend the EGM in person have any questions relating to the EGM, or about the relevant resolutions, or about the Company or any matters for communication with the Board, Shareholders may at any time send their enquiries and concerns with contact information of the requisitionists in writing to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the announcement of the Company dated 28 June 2021 in relation to, amongst others, the grant of Award Shares to the Grantees and the transactions contemplated thereunder
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Award Shares”	an aggregate of 28,562,500 new Shares granted and to be issued and allotted to the Grantees, comprising 7,625,000 and 20,937,500 new Shares granted and to be issued and allotted to the Connected Grantees and Non-connected Grantees, respectively
“Board”	the board of Directors
“Capitalisation Issue”	the allotment and issue of 937,499,998 Shares made upon the capitalisation of certain sums standing to the credit of the share premium account of the Group, as detailed in the prospectus of the Company dated 31 August 2020
“Company”	Fourace Industries Group Holdings Limited (科利實業控股集團有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability, the Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1455)
“Connected Grantee(s)”	Ms. Li Sen Julian and Ms. Tang Suk Yee, being Grantees who are Directors and thus connected persons of the Company
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held on 9 August 2021 for the Independent Shareholders to consider, and if thought fit, approve the proposed allotment and issue of the Award Shares to the Connected Grantees and the transactions contemplated thereunder (including the grant of the Specific Mandate to allot and issue the Award Shares to the Connected Grantees)
“Employees”	employee(s) of the Group

DEFINITIONS

“General Mandate”	the general mandate granted to the Directors to allot, issue and deal with up to 250,000,000 Shares, representing approximately 20% of the total number of issued Shares immediately following the completion of the Global Offering and the Capitalisation Issue, pursuant to the written resolutions of the then Shareholders passed on 21 August 2020. For more information, please refer to pages 260 and V-3 of the prospectus of the Company dated 31 August 2020
“Global Offering”	global offering of 312,500,000 offer shares at the offer price of HK\$0.40 per offer share, as detailed in the prospectus of the Company dated 31 August 2020
“Grantees”	the Employees and/or Directors selected by the Board at its full discretion for the grant of Award Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Board Committee”	an independent board committee of the Company comprising Mr. Liu Kai Yu Kenneth, Mr. Leung Wai Chuen and Mr. Man Yun James, being all the independent non-executive Directors, to advise the Independent Shareholders on the proposed allotment and issue of the Award Shares to the Connected Grantees and the transactions contemplated thereunder (including the grant of the Specific Mandate for the allotment and issue of Award Shares to the Connected Grantees)
“Independent Financial Adviser”	Pulsar Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the proposed allotment and issue of the Award Shares to the Connected Grantees and the transactions contemplated thereunder (including the grant of the Specific Mandate for the allotment and issue of the Award Shares to the Connected Grantees)

DEFINITIONS

“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM to approve the proposed allotment and issue of Award Shares to the Connected Grantees (including the grant of the Specific Mandate to the Directors for the allotment and issue of Award Shares to the Connected Grantees)
“Latest Practicable Date”	19 July 2021, being the latest practicable date before the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-connected Grantee(s)”	the Grantees who are independent of and not connected with the Company or its connected persons
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Final Dividend”	the final dividend of HK3.8 cents per Share recommended by the Board to Shareholders whose names appear on the register of members of the Company on 18 August 2021 (the “ Record Date ”), which is subject to the approval of the Shareholders at the annual general meeting of the Company expected to be held on 9 August 2021
“SFO”	Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM to be convened and held by the Company to grant the authority to the Board for the allotment and issue of Award Shares to the Connected Grantees
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent



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)

Executive Directors:

Mr. Li Shu Yeh

(Chairman and chief executive officer)

Ms. Li Sen Julian

Ms. Tang Suk Yee

Registered office:

Cricket Square Hutchins Drive

P.O. Box 2681 Grand Cayman

KY1-1111

Cayman Islands

Independent non-executive Directors:

Mr. Liu Kai Yu Kenneth

Mr. Leung Wai Chuen

Mr. Man Yun James

Principal place of business

in Hong Kong:

Unit Nos. 1106–1107

11/F Manhattan Centre

8 Kwai Cheong Road

Kwai Chung, New Territories

Hong Kong

23 July 2021

To the Shareholders

Dear Sir/Madam,

**(1) CONNECTED TRANSACTION
PROPOSED ISSUE OF NEW AWARD SHARES TO CONNECTED
GRANTEES PURSUANT TO SPECIFIC MANDATE
AND
(2) NOTICE OF EGM**

1. INTRODUCTION

Reference is made to the Announcement in relation to, amongst others, the grant of 7,625,000 Award Shares to the Connected Grantees.

The primary purpose of this circular is to provide you with, among other matters, (i) further details of the proposed allotment and issue of Award Shares to the Connected Grantees and the Specific Mandate; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the proposed allotment and issue of Award Shares to the Connected Grantees and the transactions contemplated thereunder (including the grant of the Specific Mandate to the Directors for the allotment and issue of Award Shares to the Connected Grantees); (iii) a letter of advice from the Independent Financial Adviser to the

LETTER FROM THE BOARD

Independent Board Committee and the Independent Shareholders in respect of the proposed allotment and issue of Award Shares to the Connected Grantees and the transactions contemplated thereunder (including the grant of the Specific Mandate to the Directors for the allotment and issue of Award Shares to the Connected Grantees); (iv) other information as required under the Listing Rules; and (v) the notice convening the EGM.

On 28 June 2021, the Board resolved to grant a total of 20,937,500 Award Shares to twenty four (24) Employees, in order to recognize the contributions of such Employees and in driving the continuous business operation and development of the Group. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, all of the Non-connected Grantees are independent of and not connected with the Company and its connected persons. The Award Shares shall be granted to the Non-connected Grantees for nil consideration and accordingly, no funds will be raised as a result of the proposed allotment and issue of Award Shares by the Company to the Non-connected Grantees. Based on the closing price of HK\$0.3 per Share as quoted on the Stock Exchange as at the date of the Announcement (excluded the potential dividend yield of 12.67%), and multiplied by the number of the Award Shares granted to the Non-connected Grantees (i.e. 20,937,500 Award Shares), the fair value of 20,937,500 Award Shares granted to the Non-connected Grantees is HK\$5,485,625.

The 20,937,500 Award Shares granted to the Non-connected Grantees shall be satisfied by the proposed allotment and issue of new Shares pursuant to the General Mandate. The allotment and issue of Award Shares to the Non-connected Grantees is not subject to any vesting condition, but the Non-connected Grantees shall be subject to the Lock-up Undertaking after the allotment and issue of Award Shares. As the Award Shares are expected to be issued and allotted to the Non-connected Grantees after the Record Date according to the award procedure and timeframe of the Company, the Non-connected Grantees will not be entitled to the Proposed Final Dividend.

2. CONNECTED TRANSACTION — PROPOSED ISSUE OF NEW AWARD SHARES TO CONNECTED GRANTEES PURSUANT TO SPECIFIC MANDATE

On 28 June 2021, the Board resolved to grant a total of 7,625,000 Award Shares to two (2) Directors (namely, Ms. Li Sen Julian and Ms. Tang Suk Yee), in order to recognize the contributions of such Directors and in driving the continuous business operation and development of the Group.

As at the Latest Practicable Date, to the best of the Directors knowledge, information and belief and having made all reasonable enquiries, the Connected Grantees are Directors and thus are connected persons of the Company under Chapter 14A of the Listing Rules.

Number of Award Shares Granted to Connected Grantees

Assuming that a total of 7,625,000 Award Shares are to be allotted and issued by the Company to the Connected Grantees, such Award Shares shall represent:

- (i) approximately 0.61% of the total number of Shares in issue of the Company as at the Latest Practicable Date;

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- (ii) approximately 0.61% of the total number of Shares in issue of the Company as enlarged by the allotment and issue of the Award Shares to the Connected Grantees (assuming there is no change in the total number of Shares in issue of the Company other than the proposed allotment and issue of the Award Shares to the Connected Grantees); and
- (iii) approximately 0.60% of the total number of Shares in issue of the Company as enlarged by the allotment and issue of the Award Shares to the Non-connected Grantees and Connected Grantees (assuming there is no change in the total number of Shares in issue of the Company other than the proposed allotment and issue of the Award Shares to the Non-connected Grantees and Connected Grantees).

Connected Grantees

Details of the grant of Award Shares to the Connected Grantees are as follows:

Name of Connected Grantees	Position held by Connected Grantees	Number of Award Shares granted to Connected Grantees
1. Ms. Li Sen Julian	Executive Director and general manager	3,812,500
2. Ms. Tang Suk Yee	Executive Director	<u>3,812,500</u>
Total		<u><u>7,625,000</u></u>

Issue Price

The Award Shares shall be granted to the Connected Grantees for nil consideration.

The average closing price of the Shares for the (i) five consecutive trading days immediately preceding the date of the Announcement as quoted on the Stock Exchange is HK\$0.2308 per Share; and (ii) ten consecutive trading days immediately preceding the date of the Announcement as quoted on the Stock Exchange is HK\$0.2301 per Share. The net asset value per Share as at the date of the Announcement is approximately HK\$0.3008 per Share.

The average closing price of the Shares for the five consecutive trading days immediately preceding the Latest Practicable Date as quoted on the Stock Exchange is HK\$0.366 per Share. Based on the closing price of HK\$0.355 per Share as quoted on the Stock Exchange as at the Latest Practicable Date, the market value of 7,625,000 Award Shares granted to the Connected Grantees is HK\$2,706,875. Based on the closing price of HK\$0.3 per Share as quoted on the Stock Exchange as at the date of the Announcement

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(excluded the potential dividend yield of 12.67%), and multiplied by the number of the Award Shares granted to the Connected Grantees (i.e. 7,625,000 Award Shares), the fair value of 7,625,000 Award Shares granted to the Connected Grantees is HK\$1,997,750.

Accordingly, no funds will be raised as a result of the proposed allotment and issue of Award Shares by the Company to the Connected Grantees.

Conditions Precedent

The proposed allotment and issue of 7,625,000 Award Shares to the Connected Grantees shall be subject to:

- (i) the approval by the Independent Shareholders at a general meeting to be convened and held by the Company in respect of the proposed allotment and issue of the Award Shares to the Connected Grantees and the transactions contemplated thereunder (including the grant of the Specific Mandate for the issue and allotment of Award Shares to the Connected Grantees); and
- (ii) the Stock Exchange having granted the approval for the listing of, and permission to deal in the Award Shares granted to the Connected Grantees.

The proposed allotment and issue of the Award Shares to Connected Grantees is not subject to any vesting condition, but the Grantees shall be subject to the Lock-up Undertaking after the allotment and issue of Award Shares.

Specific Mandate

The 7,625,000 Award Shares granted to the Connected Grantees shall be satisfied by the proposed allotment and issue of new Shares pursuant to the Specific Mandate.

Application for Listing

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, a total of not more than 7,625,000 Award Shares granted to the Connected Grantees.

Ranking of the Award Shares

The Award Shares, when issued and fully paid, shall rank *pari passu* among themselves and with the other Shares in issue, with rights to receive all dividends and other distributions declared, made or paid on or after the date of proposed allotment and issue.

As the Award Shares are expected to be issued and allotted to the Connected Grantees after the Record Date according to the award procedure and timeframe of the Company, the Connected Grantees will not be entitled to the Proposed Final Dividend.

LETTER FROM THE BOARD

Lock-Up Undertaking

From the date of issue and allotment of the Award Shares (the “**Date of Issue**”) to the date falling three (3) years after the Date of Issue (both days inclusive) (the “**Lock-up Period**”), each of the Grantees shall undertake to the Company that, neither he/she or his/her nominee nor anyone acting on his/her behalf will, during the Lock-up Period, sell, assign, transfer or otherwise dispose of any interest in any Award Shares.

The grant of Award Shares to the Grantees (both Connected Grantees and Non-connected Grantees) are subject to the following terms and conditions:

During the Lock-up Period:

- (1) if the Grantee is no longer employed by the Group due to (a) his/her retirement; (b) his/her death or disability; (c) his/her being made redundant by the Group; or (d) the Group electing not to extend the term of the Grantee’s expired employment contract, then the Grantee is not required to make any payment or compensation to the Company; and
- (2) if the Grantee is no longer employed by the Group due to (a) his/her resignation during his/her employment contract; (b) the Grantee electing not to extend the term of his/her expired employment contract; (c) the Grantee’s breach of laws or regulations, breach of the Group’s internal rules and policies or serious negligence; or (d) any of the grounds under which the Company may summarily dismiss such Grantee under the Employment Ordinance (Cap. 57 of the laws of Hong Kong) or PRC laws and regulations (including but not limited to the Grantee being habitually neglectful of his/her duties), then, the Grantee shall compensate the Company by making a payment in cash equivalent to the closing price per Share as quoted on the Stock Exchange as at the date of cessation of employment of the Grantee multiplied by the number of Award Shares granted to him/her.


The interpretation of the above terms shall be subject to the absolute discretion of the Board.

(the “**Lock-up Undertaking**”)

LETTER FROM THE BOARD

3. EQUITY FUND-RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has conducted the following equity fund-raising activities in the past 12 months immediately preceding the Latest Practicable Date:

Date of prospectus	Description	Net proceeds (approximately)	Planned use of proceeds	Actual use of proceeds (approximately)	Proceeds unused	Estimated timeline for the utilisation of the unutilized net proceeds	
31 August 2020	Global Offering of 312,500,000 offer shares at the offer price of HK\$0.40 per offer share	HK\$66.2 million	—	HK\$36.1 million for expanding and upgrading the Company's production facilities to enhance the Company's production capabilities	HK\$3.2 million	32.9 million	By June 2022
			—	HK\$16.4 million for enhancing the Company's research and engineering capabilities	Nil	16.4 million	By March 2023
			—	HK\$8.5 million for introducing new products carrying the Company's "  " brand	HK\$0.1 million	8.4 million	By September 2022
			—	HK\$2.3 million for enhancing the Company's sales and marketing efforts in the global market including the PRC market	Nil	2.3 million	By December 2022
			—	HK\$2.9 million for upgrading the Company's information technology system and design-aided software	Nil	2.9 million	By September 2022

Save as disclosed above, the Company has not conducted any equity fund-raising activities in the past 12 months immediately preceding the Latest Practicable Date.

4. FINANCIAL EFFECT

Save for the administrative and professional expenses relating to the allotment and issue of the Award Shares to the Grantees, the allotment and issue of Award Shares will not have any impact on the Group's cash position and net current assets.

LETTER FROM THE BOARD

Under the accounting policies of the Company, the fair value of the Award Shares will be allocated and charged as expense of the Group over the Lock-up Period, and hence may reduce the Group's earnings. The Company is expected to record expenses of approximately (i) HK\$0.39 million, HK\$0.67 million, HK\$0.67 million and HK\$0.28 million in respect of the proposed allotment and issue of Award Shares to the Connected Grantees; and (ii) HK\$1.37 million, HK\$1.83 million, HK\$1.83 million and HK\$0.46 million in respect of the allotment and issue of Award Shares to the Non-connected Grantees; for the financial years ending 31 March 2022, 2023, 2024 and 2025, respectively. The above financial effect is for illustrative purpose only and the actual amounts recorded are subject to annual audits of the Group for the financial years ending 31 March 2022, 2023, 2024 and 2025.

Based on the closing price of HK\$0.3 per Share as quoted on the Stock Exchange as at the date of the Announcement (excluded the potential dividend yield of 12.67%), and multiplied by the number of the Award Shares granted to the Non-connected Grantees (i.e. 20,937,500 Award Shares), the fair value of the 20,937,500 Award Shares granted to the Non-connected Grantees is HK\$5,485,625.

Based on the closing price of HK\$0.3 per Share as quoted on the Stock Exchange as at the date of the Announcement (excluded the potential dividend yield of 12.67%), and multiplied by the number of the Award Shares granted to the Connected Grantees (i.e. 7,625,000 Award Shares), the fair value of the 7,625,000 Award Shares granted to the Connected Grantees is HK\$1,997,750. The above fair value is set out for illustrative purpose only and may be subject to adjustment upon the approval of the Shareholders and actual allotment and issue of the Award Shares to the Connected Grantees.

5. REASONS FOR AND BENEFITS OF THE GRANT OF AWARD SHARES

The Company is principally engaged in the design, development and manufacturing of personal care and lifestyle electrical appliances.

The Grantees comprise two Directors and twenty-four (24) Employees serving in various positions within the Group, including senior management executives and managers and supervisors in the operation, manufacturing, procurement and administration and supporting departments of the Group. The Board considers that the proposed grant of Award Shares to the Grantees recognises and motivates the outstanding contributions made by them and would drive the continuous business operation and development of the Group.

Ms. Tang Suk Yee and Ms. Li Sen Julian are executive Directors. Each of them has served the Group for about 20 years or above and has consistently and continuously made invaluable contributions to the development of the Group. The Company believes that long-term commitment and loyalty are key elements in respect of the long-term and stable development of the Group, and it is in line with the Group's and its stakeholders' overall interest to reward dedicated employees for their historical services. Ms. Tang Suk Yee and Ms. Li Sen Julian were senior executives of the Group before the listing of the Shares on the Stock Exchange in 2020 (the "**Listing**"), primarily responsible for the operations and sales and manufacturing functions of the Group. The Company considers that the success and growth of the Group are substantially attributable to their foresight, strong power of execution, commitment, in-depth industry knowledge and rich experience.

LETTER FROM THE BOARD

Before the Listing, under the supervision of Ms. Tang Suk Yee and Ms. Li Sen Julian, the Company had recorded substantial growth in its financial performance, as illustrated by the followings: (i) during the three financial years ended 31 March 2020, the total revenue of the Group increased from approximately HK\$269.2 million to approximately HK\$362.1 million, representing a growth of approximately 34.5%, primarily attributable to the continuous growth in the sales of hair styling products; and (ii) the gross profit margin of the Group had also increased from approximately 24.5% for the year ended 31 March 2018 to approximately 30.0% for the year ended 31 March 2020. While Ms. Li Sen Julian has been responsible for the overall supervision of the sales department, quality management and customer relations and Ms. Tang Suk Yee has been responsible for the overall operations and management of the manufacturing and production functions of the Group, the Company considers that the contribution of both of them was a principal factor in driving such growth in the operational and financial performance of the Group.

With the continued dedication of and exceptional effort made by Ms. Li Sen Julian and Ms. Tang Suk Yee as executive Directors, the Company has been able to maintain its growth after the Listing. The revenue of the Group for the year ended 31 March 2021 increased by 20.8% compared to that for the year ended 31 March 2020, from approximately HK\$362.1 million to approximately HK\$437.4 million; and the gross profit of the Group for the year ended 31 March 2021 increased by 17.6% compared to that for the year ended 31 March 2020, from approximately HK\$108.8 million to approximately HK\$128.0 million.

The Company is of the view that it is consistent with the remuneration policy and to the benefit of the Company to appropriately reward the outstanding contributions of key personnel with an attractive and competitive level of equity-linked remuneration, so as to attract and retain experienced talents for its business and development.

With the Lock-Up Undertaking, the proposed allotment and issue of the Award Shares would have the effect of aligning the interest of selected Employees of the Group with the performance of the Group and provide an additional form of reward to the Grantees. The Board considered the grant of the Award Shares serves as an incentive to the Grantees to achieve sustainable and satisfactory returns to the Company, which would result in increase in value to the Shareholders as a whole, and effectively offset any dilution impact resulting from the grant of Award Shares.

In addition, the Company recognises that the grant of Award Shares will not result in an actual cash outflow by the Group. The number of Award Shares is determined by the Board after taking into consideration the factors such as market practices, years of service, role and responsibilities within the Group, performance as well as the salary of the Grantees.

Apart from the granting of Award Shares, the Directors had considered the appropriateness of using share options and various alternative types of awards, including increase of cash remuneration and the grant of share options. The grant of share options is less effective in serving the Company's aim of rewarding and recognising the historical performance, contributions and long-term commitment of the Connected Grantees as they will be required to pay the exercise price upon exercise of the share options, which reduces the intrinsic value of the incentive interests and lead to a decreased incentivization effect. In addition, in light of the aggregate shareholding of 75% in the Company held by Ace Champion Inc. and Forever Golden Inc. as at the Latest Practicable Date, the timing and proportion of

LETTER FROM THE BOARD

new Shares to be issued among a group of Connected Grantees and Non-connected Grantees for incentive purpose must be carefully controlled by the Company in order to ensure that the 25% minimum public float requirement pursuant to the Listing Rules can be fulfilled at all times. The Company also recognises that it is a common market practice for listed companies in Hong Kong to reward their employees by way of share awards.

The Board (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular) is of the view that the terms of grant of Award Shares to the Connected Grantees are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. EFFECTS ON SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company: (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Award Shares to the Non-connected Grantees but before the allotment and issue of Award Shares to the Connected Grantees; and (iii) immediately after the allotment and issue of Award Shares to the Non-connected Grantees and Connected Grantees.

	As at the Latest Practicable Date		Immediately after the allotment and issue of Award Shares to the Non-connected Grantees but before the allotment and issue of Award Shares to the Connected Grantees		Immediately after the allotment and issue of Award Shares to the Non-connected Grantees and Connected Grantees	
	Number of Shares	Approximate (%)	Number of Shares	Approximate (%)	Number of Shares	Approximate (%)
Ace Champion Inc. (“Ace Champion”) (Note 1)	468,750,000	37.50	468,750,000	36.88	468,750,000	36.66
Forever Golden Inc. (“Forever Golden”) (Note 2)	468,750,000	37.50	468,750,000	36.88	468,750,000	36.66
Connected Grantees						
— Ms. Li Sen Julian (Note 3)	—	—	—	—	3,812,500	0.30
— Ms. Tang Suk Yee	—	—	—	—	3,812,500	0.30
Public Shareholders						
Non-Connected Grantees (Note 4)	—	—	20,937,500	1.65	20,937,500	1.64
Other Public Shareholders	<u>312,500,000</u>	<u>25.00</u>	<u>312,500,000</u>	<u>24.59</u>	<u>312,500,000</u>	<u>24.44</u>
Total	<u><u>1,250,000,000</u></u>	<u><u>100.00</u></u>	<u><u>1,270,937,500</u></u>	<u><u>100.00</u></u>	<u><u>1,278,562,500</u></u>	<u><u>100.00</u></u>

LETTER FROM THE BOARD

Notes:

1. As at the Latest Practicable Date, Ace Champion was 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 Ace Champion was beneficially owned by Mr. Li Shu Yeh, who is deemed to be interested in all the Shares held by Ace Champion under Part XV of the SFO.
2. As at the Latest Practicable Date, Forever Golden was 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 was beneficially owned by Ms. Sit Hor Wan, who is deemed to be interested in all the Shares held by Forever Golden under Part XV of the SFO.
3. Ms. Li Sen Julian is the daughter of Mr. Li Shu Yeh, the chairman, an executive Director and a controlling shareholder of the Company.
4. The Non-Connected Grantees are Employees of the Group and are independent of and not connected with the Company and its connected persons. The Award Shares were granted by the Company to the Non-connected Grantees for nil consideration, for the purpose of rewarding the Non-connected Grantee's contribution to the Group and incentivizing the Non-connected Grantees for better future performance. The grant of Award Shares to the Non-connected Grantees is not financed directly or indirectly by any core connected person of the Company. Upon the allotment and issue of the Award Shares, subject to the Lock-up Undertaking, the Non-connected Grantees will enjoy all Shareholders' rights in the Award Shares *pari passu* with other Shares in issue, including disposal and voting rights at their sole discretion. The Company is not aware that any Non-connected Grantee is accustomed to take instructions from a core connected person of the Company in relation to the acquisition, disposal, voting or other disposition of the Shares registered in his/her name or otherwise held by him/her. Therefore, the Award Shares to be allotted and issued to the Non-connected Grantees are considered to be held in public hands for the purpose of Rule 8.24 of the Listing Rules.

7. INFORMATION OF THE PARTIES

Information of the Company and the Group

The Company is a company incorporated in the Cayman Islands as an exempted company with limited liability. The Group is principally engaged in the design, development and manufacturing of personal care and lifestyle electrical appliances on an ODM basis.

Information of Ms. Li Sen Julian

Ms. Li Sen Julian, aged 45, is an executive Director who is primarily responsible for supervising the overall operations and financial management of the Group. Ms. Li joined the Group in August 2001 and has more than 19 years of experience in the personal care electrical appliances industry. She has been the general manager of the Group since June 2006, responsible for the overall supervision of the sales department, quality management and customer relations. She also serves as a director of Fourace Industries Limited (科利實業有限公司) (“**HK Fourace**”), an indirect wholly-owned subsidiary of the Company. Ms. Li Sen Julian is the daughter of Mr. Li Shu Yeh, the chairman, an executive Director and a controlling shareholder of the Company.

LETTER FROM THE BOARD

Information of Ms. Tang Suk Yee

Ms. Tang Suk Yee, aged 54, is an executive Director who is primarily responsible for the overall operations and management of Shenzhen Fourace Electrical Appliances Co., Ltd.* (深圳科利電器有限公司) (“**Shenzhen Fourace**”), an indirect wholly-owned subsidiary of the Company. Ms. Tang joined the Group on 6 June 1988 and has more than 30 years of experience in the personal care electrical appliances industry. Since August 2000, she serves as an assistant factory manager of the Group, responsible for monitoring production progress and shipping. She is also a director of HK Fourace and the executive director and legal representative of Shenzhen Fourace, responsible for the overall progress management of the productions of the Group.

8. LISTING RULES IMPLICATIONS

As the Connected Grantees (i.e. Ms. Li Sen Julian and Ms. Tang Suk Yee) are Directors, they are connected persons of the Company. Therefore, the grant of Award Shares to the Connected Grantees constitutes connected transactions of the Company under Chapter 14A of the Listing Rules and shall be subject to reporting, announcement, circular and independent shareholders’ approval requirements.

The proposed allotment and issue of Award Shares to the Connected Grantees (including the grant of the Specific Mandate to the Directors for the allotment and issue of Award Shares to the Connected Grantees) is subject to, among others, the approval by the Independent Shareholders at the EGM.

As each of Ms. Li Sen Julian and Ms. Tang Suk Yee is a Connected Grantee and Mr. Li Shu Yeh is the father of Ms. Li Sen Julian, each of the above Directors is considered or deemed to have a material interest in and has therefore abstained from voting on the resolutions of the Board approving the grant of Award Shares to the Connected Grantees and the transactions contemplated thereunder.

9. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors has been formed to consider the proposed allotment and issue of Award Shares to the Connected Grantees and the transactions contemplated thereunder (including the grant of the Specific Mandate to the Directors for the allotment and issue of Award Shares to the Connected Grantees), so far as the interests of the Company and the Independent Shareholders are concerned as a whole.

Mr. Liu Kai Yu Kenneth, Mr. Leung Wai Chuen and Mr. Man Yun James, being all the independent non-executive Directors, have been appointed by the Board to serve as members of the Independent Board Committee. To the best of the knowledge, information and belief of the Directors, no member of the Independent Board Committee has any material interest in the proposed allotment and issue of Award Shares to the Connected Grantees (including the grant of the Specific Mandate to the Directors for the allotment and issue of the Award Shares to the Connected Grantees). A letter from the Independent Board Committee is set out on pages 18 to 19 of this circular.

LETTER FROM THE BOARD

10. INDEPENDENT FINANCIAL ADVISER

Pulsar Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the proposed allotment and issue of Award Shares to the Connected Grantees and the transactions contemplated thereunder (including the grant of the Specific Mandate to the Directors for the allotment and issue of Award Shares to the Connected Grantees). A letter from the Independent Financial Adviser is set out on pages 20 to 40 of this circular.

11. EGM

The EGM will be convened and held at Crystal Room IV, 3/F, Panda Hotel, 3 Tsuen Wah Street, Tsuen Wan, Hong Kong on Monday, 9 August 2021 at 11:30 a.m. or immediately after the conclusion of the annual general meeting of the Company to be held on the same day, whichever is later, for the Independent Shareholders to consider and, if thought fit, approve the proposed allotment and issue of Award Shares to the Connected Grantees and the transactions contemplated thereunder (including the grant of the Specific Mandate to the Directors for the allotment and issue of Award Shares to the Connected Grantees).

Whether or not you intend to attend and vote at the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so desire.

The transfer books and register of members of the Company will be closed from Wednesday, 4 August 2021 to Monday, 9 August 2021, both dates inclusive. During such period, no Share transfers will be effected. In order to qualify for attending the EGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 3 August 2021.

As at the Latest Practicable Date, Ace Champion held 468,750,000 Shares, representing 37.5% of the Shares in issue of the Company. The entire issued share capital of Ace Champion is held by Mr. Li Shu Yeh, the father of Ms. Li Sen Julian, who is a Connected Grantee. Therefore, each of Mr. Li Shu Yeh and Ace Champion is deemed to have a material interest in the proposed allotment and issue of Award Shares to the Connected Grantees. Accordingly, Ace Champion is required to abstain from voting on the resolution(s) in connection with the proposed allotment and issue of Award Shares to the Connected Grantees (including the grant of the Specific Mandate to the Directors for the allotment and issue of Award Shares to the Connected Grantees) to be proposed at the EGM under the Listing Rules.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as aforementioned, no other Shareholder has or is deemed to have a material interest in the proposed allotment and issue of Award Shares to the Connected Grantees and is therefore required to abstain from voting on the resolution(s) in connection with the proposed issue and allotment of Award Shares to the Connected Grantees (including the grant of the Specific Mandate to the Directors for the allotment and issue of Award Shares to the Connected Grantees) to be proposed at the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolution(s) proposed at the EGM shall be voted by poll in accordance with the Listing Rules and the memorandum and articles of association of the Company. The poll results will be announced in accordance with Rule 13.39(5) of the Listing Rules after the conclusion of the EGM.

12. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 18 to 19 of this circular and the letter from the Independent Financial Adviser set out on pages 20 to 40 of this circular. The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the resolution(s) regarding the proposed issue and allotment of Award Shares to the Connected Grantees (including the grant of the Specific Mandate to the Directors for the allotment and issue of the Award Shares to the Connected Grantees) to be proposed at the EGM.

The Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular) consider that despite the proposed allotment and issue of Award Shares to the Connected Grantees (including the grant of the Specific Mandate to the Directors for the allotment and issue of the Award Shares to the Connected Grantees) is not in the ordinary and usual course of business of the Company, it is on normal commercial terms, and the terms of the proposed allotment and issue of Award Shares to the Connected Grantees are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular) recommend all Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM.

13. FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours Faithfully,
For and on behalf of the Board of
Fourace Industries Group Holdings Limited
Li Shu Yeh
Chairman and Chief Executive Officer



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)

23 July 2021

To the Shareholders

Dear Sir/Madam,

**CONNECTED TRANSACTION
PROPOSED ISSUE OF NEW AWARD SHARES TO CONNECTED
GRANTEES PURSUANT TO SPECIFIC MANDATE**

We refer to the circular of the Company dated 23 July 2021 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter, unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders as to whether, in our opinion, the proposed allotment and issue of Award Shares to the Connected Grantees (including the grant of the Specific Mandate to the Directors for the allotment and issue of Award Shares to the Connected Grantees) is in the ordinary and usual course of business of the Company, on normal commercial terms, in the interests of the Company and the Shareholders as a whole and whether the terms of the proposed issue and allotment of Award Shares to the Connected Grantees (including the grant of the Specific Mandate to the Directors for the allotment and issue of the Award Shares to the Connected Grantees) are fair and reasonable so far as the Independent Shareholders are concerned. In this connection, Pulsar Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed allotment and issue of Award Shares to the Connected Grantees (including the grant of the Specific Mandate to the Directors for the allotment and issue of the Award Shares to the Connected Grantees).

We wish to draw your attention to the letter from the Board set out on pages 5 to 17 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 20 to 40 of the Circular which contains its opinion in respect of the proposed issue and allotment of Award Shares to the Connected Grantees (including the grant of the Specific Mandate to the Directors for the allotment and issue of the Award Shares to the Connected Grantees).

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account of the principal factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we consider that the proposed allotment and issue of Award Shares to the Connected Grantees (including the grant of the Specific Mandate to the Directors for the allotment and issue of the Award Shares to the Connected Grantees) is important for the Group's business development in future though not in the ordinary and usual course of business of the Group, it is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole. We are also of the view that the terms of the proposed allotment and issue of Award Shares to the Connected Grantees (including the grant of the Specific Mandate to the Directors for the allotment and issue of the Award Shares to the Connected Grantees) are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the proposed allotment and issue of Award Shares to the Connected Grantees (including the grant of the Specific Mandate to the Directors for the allotment and issue of the Award Shares to the Connected Grantees).

Yours faithfully,

For and on behalf of

The Independent Board Committee of

Fourace Industries Group Holdings Limited

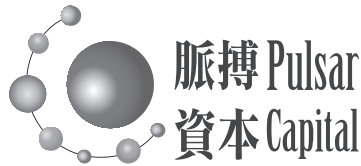
Mr. Liu Kai Yu Kenneth
*Independent non-executive
Director*

Mr. Leung Wai Chuen
*Independent non-executive
Director*

Mr. Man Yun James
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Pulsar Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



23 July 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION PROPOSED ISSUE OF NEW AWARD SHARES TO CONNECTED GRANTEES PURSUANT TO SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the proposed grant of Award Shares to the Connected Grantees and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in this Circular dated 23 July 2021 issued by the Company, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 28 June 2021 pursuant to which the Board resolved on the even date the grant of a total of 7,625,000 Award Shares to two (2) Directors in order to recognize their contributions and in driving the continuous business operation and development of the Group. The Award Shares granted to the Connected Grantees shall be satisfied by the proposed allotment and issue of new Shares pursuant to the Specific Mandate.

As the Connected Grantees (i.e. Ms. Li Sen Julian and Ms. Tang Suk Yee) are Directors, they are connected persons of the Company. Therefore, the grant of Award Shares to the Connected Grantees constitutes connected transactions of the Company under Chapter 14A of the Listing Rules and shall be subject to reporting, announcement, circular and independent shareholders’ approval requirements.

The Company will put forward, among other things, ordinary resolutions to approve the grant, allotment and issue of the Award Shares to the Connected Grantees pursuant to Specific Mandate and the transactions contemplated therein at the EGM to be convened by the Company for the Independent Shareholders’ consideration and approval.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the proposed grant of Award Shares to the Connected Grantees and the transactions contemplated thereunder (including the grant of the Specific Mandate to the Directors for the allotment and issue of the Award Shares to the Connected Grantees).

We, Pulsar Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the proposed grant of Award Shares to the Connected Grantees pursuant to Specific Mandate. As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial Shareholders of the Company or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we were not engaged as an independent financial adviser to the Company. Apart from normal professional fees payable to us by the Company in connection with the current appointment, no arrangement exists whereby we have received or will receive any fees or benefits from the Company or the Directors, chief executive and substantial Shareholders of the Company or any of its subsidiaries or their respective associates or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, statements, opinions and representations provided to us by the Company, its representatives, its management (the “**Management**”) and the Directors for which they are solely and wholly responsible for and we have assumed that all such information, statements, opinions and representations contained or referred to in the Circular were true, accurate and complete at the time they were made and continue to be true, accurate and complete as at the date of the Circular.

We have assumed that all statements of belief, opinion and intention made by the Company, its representatives, the Management and the Directors as set out in the Circular were reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular. The Directors confirmed that they have provided us with all information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of such information and the information contained in the Circular to provide a reasonable basis of our opinions.

Our review and analyses were based upon the information and facts contained or referred to in the Circular, the information provided by the Company and the relevant public information. We consider that we have reviewed sufficient information to reach a reasonably informed view to justify our reliance on the accuracy of the information contained in the Circular as aforesaid and to provide reasonable grounds for our advice. In addition, we have no reason to doubt the truth, accuracy and/or completeness of the information and representations as provided to us by the Directors, the Management and/or representatives of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We, however, have not conducted any independent in-depth investigation into the business, affairs, financial position or prospects of the Group nor we have carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the grant, allotment and issue of the Award Shares to the Connected Grantees and pursuant to Specific Mandate, we have taken into consideration the following principal factors and reasons:

1. Background of the Group

Principal business of the Group

The Group is principally engaged in the design, development and manufacturing of personal care and lifestyle electrical appliances on an ODM basis. The Group's 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.

Historical financial performance

Set forth below are the financial information of the Group for the three years ended 31 March 2021, as extracted from the prospectus of the Company dated 31 August 2020 in relation to the listing of its Shares on the Main Board of the Stock Exchange (the "Listing Prospectus") and the annual results of the Company for the year ended 31 March 2021 (the "2021 Annual Result").

	For the year ended/As at 31 March				
	2019	2020	change	2021	change
	<i>HK\$'000</i>	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(audited)	(audited)		(audited)	
Revenue	312,239	362,094	16.0	437,446	20.8
Gross Profit	85,052	108,798	27.9	128,028	17.6
Net Profit for the year	33,823	43,356	28.2	58,139	34.1
Cash and cash equivalents	45,847	56,420	23.1	166,008	194.2
Net current assets	79,938	74,701	(6.6)	233,063	212.0

As extracted from the Listing Prospectus, the Group's revenue increased from approximately HK\$312.2 million for the year ended 31 March 2019 to approximately HK\$362.1 million for the year ended 31 March 2020, representing an increase of approximately HK\$49.9 million or 16.0%. Such increase was primarily attributable to the increase in revenue from personal care electrical appliances. The increase of the Group's revenue generated from personal care electrical appliances was mainly attributable to the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

increase in revenue from the hair styling series of approximately HK\$66.9 million, and partially offset by the decrease in revenue from the (i) grooming series of approximately HK\$16.7 million; and (ii) beauty care series of approximately HK\$455,000.

The Group's overall gross profit increased from approximately HK\$85.1 million for the year ended 31 March 2019 to approximately HK\$108.8 million for the year ended 31 March 2020, representing an increase of approximately HK\$23.7 million or 27.9%. The Group's overall gross profit margin increased from approximately 27.2% for the year ended 31 March 2019 to approximately 30.0% for the year ended 31 March 2020. Both the increase in the Group's overall gross profit and gross profit margin were mainly attributable to personal care electrical appliances segment, particularly the hair styling series.

The Group's cash and cash equivalent increased from approximately HK\$45.8 million as at 31 March 2019 to approximately HK\$56.4 million as at 31 March 2020, mainly driven by the net cash generated from operating activities.

FY2021

As extracted from the 2021 Annual Result Announcement, the total revenue of the Group increased by approximately HK\$75.3 million or 20.8% from approximately HK\$362.1 million for FY2020 to approximately HK\$437.4 million for FY2021. Such increase was mainly attributable to the increase in the sales of both hair styling series and beauty care series of the personal care electrical appliances.

The Group's gross profit increased by approximately HK\$19.2 million or 17.6% to approximately HK\$128.0 million for the FY2021 (FY2020: approximately HK\$108.8 million). The increase was attributable to the increase in revenue, particularly in the hair styling series of the personal care electrical appliances. The gross profit margin slightly decreased by 0.7 percentage point to 29.3% for the Reporting Period (FY2020: 30.0%) which was mainly attributable to the decrease in the profit margins of the beauty care series of the personal care electrical appliances.

As at 31 March 2021, the Group maintained cash and bank balances of approximately HK\$166.0 million (as at 31 March 2020: approximately HK\$56.4 million). The increase in cash and bank balances was mainly attributable to the net proceeds of HK\$66.2 million from the Global Offering and the increase in total revenue of approximately HK\$75.3 million for the year ended 31 March 2021.

Prospects

As set out in the Company's 2021 Annual Result Announcement, the continuous spread of COVID-19 pandemic around the world has caused uncertainties in the global economy and business environment. However, Mainland China has achieved a victory in the fight against the pandemic. Its gross domestic product (GDP) expanded by 2.3% in 2020 and was the only major economy in the world to see positive growth. Moreover, both Mainland China's 14th Five-Year Plan and the eight key tasks for its economy in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2021 have underpinned consumption as one of the main themes. Supported by the inner circular economy, the consumer market in Mainland China has been stimulated and is developing. As a result, it drives the overall demands.

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. After the Listing of the Company on the Stock Exchange, the Group has enhanced its competitiveness, which help to establish and strengthen the business relationship with the customers, so as to increase its market share and strengthen its market position in the industry.

The Group targets to develop new personal care and lifestyle electrical appliances under its own brand “**iHA**”. The first product will be the smart toilet seat, which is expected to launch in Mainland China in 2022. The Group is in the active process of establishing its sales and marketing team, and is searching for sales partners actively. Meanwhile, the Group will make full use of its technologies to explore other products having the potential of developing as a product under its own brand to expand this business segment.

In terms of production and research and development capabilities, in view of the increasing demand of its products, the Group is looking for appropriate opportunities when the COVID-19 pandemic slows down to upgrade its production facilities, including purchasing and replacing new plastic injection molding machines, and upgrading the automation level of the production line 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. Not only can this further strengthen the Group’s long and stable relationship with its customers, but also enhance its market position, increase its market share in the personal care and lifestyle electrical appliances segments.

Meanwhile, the Group has been exploring business opportunities to expand and diversify its business, thereby creating new sources of income and maximizing the return of the Group and shareholders in the long run.

The Board appreciates the efforts contributed by the employees and senior management team over the years and considers that the grant of the Award Shares to the Award Participants will continue to motivate the Award Participants to create a higher value for the Company and its Shareholders, and is consistent with market practice.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Reasons for and benefits of the grant of Award Shares to Connected Grantees

As set out in the Board Letter, the Board considers that the proposed grant of the Award Shares to the Grantees recognises and motivates the outstanding contributions made by them and in driving the continuous business operation and development of the Group. The proposed grant of the Award Shares is to align the interest of selected Employees of the Group with the performance of the Group and provide an additional form of reward to the Grantees. In addition, the Company recognises that the grant of Award Shares will not result in an actual cash outflow by the Group. The number of Award Shares is determined by the Board after taking into consideration factors such as market practices, years of service, role and responsibilities within the Group, performance as well as the salary of the Grantees.

The Board (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser to be appointed) is of the view that the terms of grant of Award Shares to the Connected Grantees are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole.

3. Details of the Award Shares to Connected Grantees

The table below sets forth the details of the Award Shares to the Connected Grantees:

Name	Position	Number of Award Shares	Approximate market value of the Award Shares to the Connected Grantees as at the date of the Announcement <i>(Note 1)</i>	Approximate market value of the Award Shares to the Connected Grantees as at the Latest Practicable Date <i>(Note2)</i>	Approximate percentage of total Shares in issue as at the Latest Practical Date
Ms. Li Sen Julian	Executive Director and general manager	3,812,500	HK\$ 1,143,750	HK\$1,353,438	0.305%
Ms. Tang Suk Yee	Executive Director	3,812,500	HK\$ 1,143,750	HK\$1,353,438	0.305%
Total		7,625,000	HK\$ 2,287,500	HK\$2,706,875	0.61%

Notes:

- (1) The market value of the Award Shares is calculated based on the closing market price per Share of HK\$0.30 as of 28 June 2021, being the date of the Announcement. The average closing price of the Shares for the (i) five consecutive trading days immediately preceding the date of the Announcement as quoted on the Stock Exchange is HK\$0.2308 per Share; and (ii) ten consecutive trading days immediately preceding the date of the Announcement as quoted on the Stock Exchange is HK\$0.2301 per Share. The net asset value per Share as at the date of the Announcement is approximately HK\$0.3008 per Share.
- (2) The market value of the Award Shares is calculated based on the closing market price per Share of HK\$0.355 on the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the background information of Ms. Li Sen Julian and Ms. Tang Suk Yee, being the Connected Grantees.

Ms. Li Sen Julian

Ms. Li Sen Julian has been serving as the executive Director since 29 March 2019 and is the general manager of the Group, and a director of Fourace Industries Limited, being one of the Group's key operating subsidiary since August 2017. Ms. Li is also a member of the Group's remuneration committee. Ms. Li is primarily responsible for supervising the overall operations and financial management of the Group. Ms. Li first joined the Group on 2 August 2001 as a sales assistant, responsible for customer management. From August 2003 to June 2006, she served as an assistant general manager of the Group, responsible for customer communications, project management and product pricing. Ms. Li has been the general manager of the Group since June 2006, responsible for the overall supervision of the sales department, quality management and customer relations. Ms. Li has more than 19 years of experience in the personal care electrical appliances industry. Ms. Li obtained her bachelor's degree in clinical medicine from Tianjin Medical University (天津醫科大學) in the PRC in July 2001. Ms. Li is the daughter of Mr. Li Shu Yeh, the chairman, an executive Director and a controlling shareholder of the Company.

Ms. Tang Suk Yee

Ms. Tang Suk Yee has been serving as the executive Director since 29 March 2019. Ms. Tang is primarily responsible for the overall operations and management of Shenzhen Fourace Electrical Appliances Co., Ltd., being the Group's key operating subsidiary in the PRC. Ms. Tang is also a member of the Group's nomination committee. Ms. Tang has more than 30 years of experience in the personal care electrical appliances industry. Ms. Tang first joined the Group on 6 June 1988 as a secretary, where she accumulated experiences of customer management, administration, shipping and operations. Since August 2000, she has served as an assistant factory manager of the Group, responsible for monitoring production progress and shipping. She has been a director of Fourace Industries Limited since 17 August 2017 and the executive director and legal representative of Shenzhen Fourace Electrical Appliances Co., Ltd. since 22 May 2015, responsible for the overall progress management of the productions of our Group. Ms. Tang completed her tertiary education at Sacred Heart Canossian Convent Commercial School in Hong Kong in June 1985.

Upon our inquiry, we understand from the Management that Ms. Li Sen Julian is responsible for supervising the Group's operation and financial management whilst Ms. Tang Suk Yee is responsible for the Group's operation in the PRC. They are responsible for communicating and implementing strategic plans in accordance with the Group's vision, mission, and overall directions. They are responsible for evaluating the success of the Group in reaching its goals or seeking ways to enhance the Group's profitability. Each of them has served the Group for about 20 years or above.

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From the above, we are of the view that Ms. Li Sen Julian and Ms. Tang Suk Yee, being the Connected Grantees, have the experience and industry knowledge to facilitate the continual operation and development of the Group and the Group will be benefited from the retention of them through the Award Shares.

Upon our enquiry with the Management, we understand that its remuneration package of employees generally includes salary and bonus elements. In general, the Group determines the remuneration package based on the qualifications, position and performance of its employees. The Group also makes contributions to pension schemes, social insurance fund, including basic pension insurance, medical insurance, unemployment insurance, childbirth insurance, work-related injury insurance funds, and housing reserve fund as applicable to the countries where the Group operates.

As discussed with the Management, we are given to understand that the Company has considered other methods of providing incentives to the Connected Grantees, including lump sum cash bonuses and remuneration increment. After careful consideration of various alternatives, the Directors consider the Award Shares to be an appropriate incentive measure given that, as opposed to the other alternatives, the Award Shares will enable the Company to prevent cash outflow of the Group, which can be retained for business development of the Group, and to retain talents in key positions for the continual operation and development of the Group with the objective to increase the value of the Company in a long run.

4. Principal terms of the grant of Award Shares to the Connected Grantees

Number of Award Shares to Connected Grantees	: 7,625,000
Market value of the Award Shares to Connected Grantees (Note)	: HK\$2,287,500
Consideration	: Nil
Vesting conditions and dates	: The Award Shares to the Connected Grantees are not subject to any vesting conditions and no vesting dates
Lock-up undertaking	: From the date of issue and allotment of the Award Shares to the date falling three (3) years after the Date of Issue (both days inclusive).

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Conditions precedent : The grant, allotment and issue of the 7,625,000 Award Shares to Connected Grantees shall be subject to (i) the approval by the Independent Shareholders at the general meeting to be convened by the Company in respect of the grant, allotment and issue of the Award Shares to the Connected Grantees, the Specific Mandate and the transactions contemplated therein; and (ii) the Stock Exchange having granted the approval for the listing of, and permission to deal in the Award Shares to the Connected Guarantees.

Dividend entitlement : As the Award Shares are expected to be issued and allotted to the Grantees after the Record Date, the Grantees will not be entitled to the Proposed Final Dividend

Note: The market value of the Award Shares to Connected Grantees is calculated as the multiple of the closing market price per Share of HK\$0.30 as at the Announcement Date and the number of the Award Shares to Connected Grantees (i.e. 7,625,000 Shares)

5. Assessment in relation to the principal terms of the grant of Award Shares to Connected Grantees

To assess the fairness and reasonableness of the principal terms of the grant of the Award Shares to Connected Grantees, we have, to our best effort basis and knowledge, identified 20 precedent awards in relation to the grant of shares to their respective employees and directors involving awarding shares to connected persons (the “**Comparable Grants**”) as noted in the relevant announcements on the Stock Exchange from 1 January 2021 up to the Date of Grant (the “**Review Period**”).

Shareholders should note that the business, operations and financial performance of the companies offering the Comparable Grants are not the same as the Company and we have not conducted any in-depth investigation into the businesses and operations of the companies offering the Comparable Grants. However, we consider that the Comparable Grants could provide the Independent Shareholders with a general reference of companies listed on the Main Board of the Stock Exchange granting awarded shares. The list of comparable is an exhaustive list and we are of the opinion that the list covering approximately six months is fair, sufficient and representative to illustrate the recent trend and terms under common market practice.

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Set forth below is a comparison of the Comparable Grants during the Review Period:

No.	Company Name	Stock code	Date of announcement	Principal Business	Total shares in Vesting period/Date, issued as at the assuming the date of relevant announcement (HK\$)	Lock-up period	Consideration (HK\$ per awarded share)	Performance target	Number of award shares to connected participants	Value of total award shares to connect participants as at the date of relevant announcement (HK\$)	Approximate percentage of total shares in issue as at the date of relevant announcement
1	Dashan Education Holdings Ltd	9986	January 14, 2021	Provision of primary and secondary after-school education services.	800,000,000	Three years (Note 1)	0	Revenue and revenue growth	17,670,000	16,963,200	2.21%
2	Frontage Holdings Corporation	1521	January 26, 2021	A contract research organization (CRO) providing integrated, scientifically-driven research, analytical and development services throughout the drug discovery and development process for pharmaceutical companies.	2,037,102,910	Four years (Note 2)	0	Nil	3,100,000	18,631,000	0.15%
3	Great Wall Motor Company Limited	2333	January 28, 2021	Principally engaged in the design, research and development, manufacture and sale, as well as distribution of SUVs, sedans, pick-up trucks and automobile-related parts and components.	9,175,953,300	50% release in 12 to 24 months after grant date; 50% release in 24 to 36 months after grant date	25.3	In respect of the release of lock-up period, targets include sales volume and net profit and performance appraisal at individual level	500,000	12,675,000	0.005%

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No.	Company Name	Stock code	Date of announcement	Principal Business	Total shares in Vesting period/Date, issued as at the assuming the date of relevant announcement and conditions precedent/ Lock-up period (HK\$)	Consideration (HK\$ per awarded share)	Performance target	Number of award shares to connected participants	Value of total award shares to connect participants as at the date of relevant announcement (HK\$)	Approximate percentage of total shares in issue as at the date of relevant announcement
4	Nagacorp Ltd.	3918	January 28, 2021	Management and operation of a hotel and casino complex in Cambodia.	4,341,008,041 Immediate	0 Nil	0 Nil	10,226,667	91,017,336	0.24%
5	Graphex Group Limited (formerly known as Earthasia International Holdings Limited)	6128	January 28, 2021	Provision of landscape architectural services.	482,290,000 Immediate	Not specified	Nil	2,000,000	1,180,000	0.415%
6	Shanghai Fosun Pharmaceutical (Group) Co., Ltd	2196	March 14, 2021	Principally engaged in the research and development, production and distribution of pharmaceuticals.	2,562,898,545 12 months to 48 months (Note 4)	27.11	In respect of the release of lock-up period, targets include adjusted net profit, adjusted net profit growth	1,118,900	36,755,865	0.044%
7	Chong Hing Bank Limited	1111	March 16, 2021	Provision of banking and financial services.	972,862,220 Four years (Note 3)	0 Nil	0 Nil	49,837	490,894	0.01%
8	Wuxi Biologics (Cayman) Inc.	2269	March 24, 2021	Provision of discovery, development and manufacturing of biologics services.	4,210,148,571 Not specified	0 Nil	0 Nil	1,493,141	131,321,751	0.04%
9	Forsun International Limited	656	March 31, 2021	Engaged in financial, property, steel and healthcare businesses	8,404,681,424 33% on 31 March 2022; 33% on 31 March 2023; 34% on 31 March 2024	0 Nil	0 Nil	7,995,000	86,985,600	0.10%

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No.	Company Name	Stock code	Date of announcement	Principal Business	Total shares in Vesting period/Date, issued as at the assuming the date of relevant announcement conditions precedent/ Lock-up period (HK\$)	Consideration (HK\$ per awarded share)	Performance target	Number of award shares to connected participants	Value of total award shares to connect participants as at the date of relevant announcement (HK\$)	Approximate percentage of total shares in issue as at the date of relevant announcement
10	Hong Kong Television Network Limited	1137	March 31, 2021	Primarily engaged in provision of multimedia business, operation of e-shopping mall and investment holding business	915,610,693 20% on the trading day within 30 calendar days after the publication of the annual results of the company for each of the financial years ending 31 December 2021, 2022, 2023, 2024 and 2025 on the Stock Exchange	0	With reference to the growth of share price of the company.	45,799,285	540,431,563	5.00%
11	C&D International Investment Group Limited	1908	March 31, 2021	Principally engaged in the business of property development.	1,176,711,106 40% release in 24 to 36 months after grant date; 30% release in 36 to 48 months after grant date; 30% release in 48 to 60 months after grant date.	7.22	In respect of the release of lock-up period, targets include the company's revenue, earnings per share and operating profits and individual performance evaluation	13,310,000	187,671,000	1.13%

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No.	Company Name	Stock code	Date of announcement	Principal Business	Total shares in Vesting period/Date, issued as at the assuming the date of relevant announcement (HK\$)	Lock-up period	Consideration (HK\$ per awarded share)	Performance target	Number of award shares to connected participants	Value of total award shares to connect participants as at the date of relevant announcement (HK\$)	Approximate percentage of total shares in issue as at the date of relevant announcement
12	Elife Holdings Limited	223	April 8, 2021	Principally engaged in gas businesses and commodity trading	3,096,643,562	25% vested and can be disposed of from 8 April 2021; 25% vested and can be disposed of from 1 July 2021; 25% vested and can be disposed of from 1 October 2021; 25% vested and can be disposed of from 1 January 2022	0.02 (<i>par value</i>)	Nil	5,050,000	348,450	0.16%
13	Riverine China Holdings Limited	1417	April 12, 2021	Engaged in property management services	405,000,000	Not specified	0	Nil	1,726,000	3,055,020	0.43%
14	China Environment Technology and Bioenergy Holdings Limited	1237	April 20, 2021	Principally engaged in the wooden products related businesses	783,750,400	Immediate	0	Nil	29,648,016	4,328,610	3.78%
15	Midea Real Estate Holding Limited	3990	April 22, 2021	Provision of land subdivision services	1,234,362,000	100% on 1 April 2022	0	Nil	1,210,000	21,828,400	0.098%

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No.	Company Name	Stock code	Date of announcement	Principal Business	Total shares in Vesting period/Date, issued as at the assuming the date of relevant announcement (HK\$)	Lock-up period	Consideration (HK\$ per awarded share)	Performance target	Number of award shares to connected participants	Value of total award shares to connect participants as at the date of relevant announcement (HK\$)	Approximate percentage of total shares in issue as at the date of relevant announcement
16	TCL Electronics Holdings Limited	1070	May 19, 2021	Principally engaged in the manufacture and sales of television sets and provision of information technology (IT) services and Internet services	2,469,341,520	Type 1: 40% on 20 June 2022; 30% on 20 June 2023; 30% on 20 June 2024 Type 2: 40% on 20 June 2023; 30% on 20 June 2024; 30% on 20 June 2025	Not specified	Type 1: Nil Type 2: (i) Achievement targets of relevant subsidiary and relevant individuals; (ii) provision of full-year service to relevant subsidiary in 2021	64,712,694	337,153,136	2.62%
17	Haidilao International Holding Ltd.	6862	May 20, 2021	Principally engaged in the restaurant operation business	5,300,000,000	Ten years from the grant date (i.e. 19 May, 2031)	0	Future performance indicators and contributions to the group's innovative projects	15,900,000	699,600,000	0.30%

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No.	Company Name	Stock code	Date of announcement	Principal Business	Total shares in Vesting period/Date, issued as at the assuming the date of relevant announcement conditions precedent/ (HK\$) Lock-up period	Consideration (HK\$ per awarded share)	Performance target	Number of award shares to connected participants	Value of total award shares to connect participants as at the date of relevant announcement (HK\$)	Approximate percentage of total shares in issue as at the date of relevant announcement
18	Ascentage Pharma Group International	6855	May 21, 2021	Developing novel small therapies for cancers, hepatitis B virus (HBV) and certain age-related diseases.	252,774,507 Not specified	Not specified Nil		65,798	3,158,304	0.03%
19	IGG Inc	799	May 21, 2021	Principally engaged in the development and operation of online games.	1,193,972,599 20% on the trading day within 30 calendar days after the publication of the annual results of the company for each of the financial years ending 31 December 2021, 2022, 2023, 2024 and 2025 on the Stock Exchange	0 With reference to the growth of share price of the company.		69,486,293	765,738,949	5.82%

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No.	Company Name	Stock code	Date of announcement	Principal Business	Total shares in Vesting period/Date, issued as at the assuming the date of relevant announcement (HK\$)	Lock-up period	Consideration (HK\$ per awarded share)	Performance target	Number of award shares to connected participants	Value of total award shares to connect participants as at the date of relevant announcement (HK\$)	Approximate percentage of total shares in issue as at the date of relevant announcement
20	AsiaInfo Technologies Limited	1675	May 26, 2021	Principally engaged in the provision of software products and related services	920,315,950	Vesting period commences on the date which is one year from the date of grant (i.e. 25 May 2022) and end on the date which is three years from the date of grant (i.e. 25 May 2024)	0 Nil	0 Nil	4,840,299	65,053,619	0.53%
	The Company	1455	June 28, 2021	Principally engaged in the design, development and manufacturing of personal care and lifestyle electrical appliances on an ODM basis.	1,250,000,000	Lock-up for three years after the Date of Issue	0 Nil	0 Nil	7,625,000	2,287,500	Maximum 5.82% Minimum 0.01% Average 1.16%

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Notes

1. 40% on the first trading date upon expiry of seven days after the publication of the annual results announcement for the financial year ending 31 December 2021; 30% on the first trading date upon expiry of seven days after the publication of the annual results announcement for the financial year ending 31 December 2022; and 30% on the first trading date upon expiry of seven days after the publication of the annual results announcement for the financial year ending 31 December 2023.
2. 25% on January 24, 2022; 25% on January 24, 2023; 25% on January 24, 2024; and 25% on January 24, 2025.
3. 25% in the first calendar year after the grant date during a period of continuous service with the group (i.e. 15 March 2022); 25% in the second calendar year of continuous service with the group after the grant date (i.e. 15 March 2023); 25% in the third calendar year of continuous service with the group after the grant date (i.e. 15 March 2024); 25% in the fourth calendar year of continuous service with the group after the grant date (i.e. 15 March 2025).
4. In respect of first grant, 33% release in 12 to 24 months after the completion of registration of restricted shares; 33% release in 24 to 36 months after the completion of registration of restricted shares; 34% release in 36 to 48 months after the completion of registration of restricted shares; In respect of reserved restricted shares takes place in 2021: 33% release in 12 to 24 months after the completion of registration of restricted shares; 33% release in 24 to 36 months after the completion of registration of restricted shares; 34% release in 36 to 48 months after the completion of registration of restricted shares; In respect of reserved restricted shares takes place in 2022: 50% release in 12 to 24 months after the completion of registration of restricted shares; 50% release in 24 to 36 months after the completion of registration of restricted shares.

Source: Announcements of the relevant companies involved in the Comparable Grants on the website of the Stock Exchange

As shown from the above table, we observed that:

- (i) the vesting period or lock-up of the Comparable Grants typically ranged from immediate to four years except for Haidilao International Holding Ltd. which had a vesting period of ten years. Under the grant of Award Shares to Connected Grantees, the lock-up period is three years, which is within the aforesaid typical range, therefore the lock up period of the Award Shares is recognised as a normal market practice. We consider that the three years lock-up period can encourage and retain the Connected Grantees to contribute to the long-term and stable development of the Group;
- (ii) out of the total 20 Comparable Grants, there were (i) 13 Comparable Grants issued the shares to grantees at nil consideration; (ii) 1 Comparable Grants issued the shares at par value; (iii) 3 Comparable Grants issued the shares at a price with reference to the market price; and (iv) 3 Comparable Grants did not specific the issue price in their announcements. Under the grant of Award Shares to Connected Grantees, the Shares will be allotted and issued at nil consideration, which is largely in line with the market practice;
- (iii) the number of the Award Shares to Connected Grantees to the Company's total issued shares as at the Announcement Date are 0.61%, which is within the range of the Comparable Grants from approximately 0.01% to approximately 5.82% and lower than the average of the Comparable Grants of approximately 1.16%; and

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- (iv) there were certain performance related vesting conditions for 8 out of the total 20 Comparable Grants. Under the grant of Award Shares to Connected Grantees, the Shares will be allotted and issued without vesting condition. Upon enquiry with the Management, we understand that the Board has considered, among others, the historical contributions and job responsibilities of the Connected Grantees as well as the Connected Grantees' continuing contribution to the Group's future development and whether the grant is a sufficient motivation for their continuing contribution to the Group, which are not uncommon and also similar to the circumstances of the remaining 12 Comparable Grants without performance related vesting condition.

Further, as advised by the Directors that there is no difference on the lock-up conditions of the Award Shares granted to the Connected Grantees and the Award Shares granted to the Non-connected Grantees as announced by the Company on 28 June 2021, we note that the terms of the proposed allotment and issue of Award Shares to the Connected Grantees are on arm's length basis as they are identical to the terms of the proposed allotment and issue of Award Shares to the Non-connected Grantees. In addition, as shown in the observations above, the terms of the proposed allotment and issue of Award Shares to the Connected Grantees are no less favorable to the Group as they are within the respective range of the Comparable Grants during the Review Period. Accordingly, we concur with the Directors' view that the proposed allotment and issue of Award Shares to the Connected Grantees is on normal commercial terms, and the terms of the grant of Award Shares to Connected Grantees are fair and reasonable so far as the Independent Shareholders are concerned.

1. Financial impacts on the issue of Award Shares

Earnings

The Company estimated that the relevant costs or expenses of the issue of the Award Shares to the Connected and Non-connected Grantees will be recognised on the Group's consolidated statement of profit or loss and will in turn lead to a decrease in earnings of the Company. However, the expenses to be charged in the Group's financial statements would be non-recurring in nature and do not involve any actual cash outflow by the Group.

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For illustrative purpose, assuming all of the Award Shares are vested over the lockup period without any cancellation, the Group is expected to incur expenses on the Company's consolidated financial statements as follow:

Year ending 31 March,	Estimated expenses (Note)	
	Award Shares granted to Non-connected Grantees (HK\$)	Award Shares granted to Connected Grantees (HK\$)
2022	1,371,406	388,451
2023	1,828,542	665,917
2024	1,828,542	665,917
2025	457,135	277,645
Total	5,485,625	1,997,750

Note: Calculated based on the closing market price per Share of HK\$0.30 per Share as at the Announcement Date (excluded the Proposed Final Dividend) given that the Award Shares Grantees will not be entitled to the Proposed Final Dividend, assuming the Award Shares are granted in July 2021 to the Non-connected Grantees and will be granted in September 2021 to the Connected Grantees.

Assets

Given the fact that the Award Shares shall be allotted and issued to the Connected Grantees at nil consideration and save for the administrative and professional expenses relating to the allotment and issue of the Award Shares to the Grantees, there will be no material impact on the Group's cash and cash equivalent in respect of the allotment and issue of Award Shares. Over the vesting period of the Award Shares, the value of the Award Shares would be recognized in the Group's consolidated statement of profit and loss as expenses, with a corresponding increase in equity. Accordingly, the total net assets of the Group would remain unchanged.

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2. Effect on the shareholding structure of the Company

As stated in the Board Letter, the shareholding structure of the Company as of the Latest Practicable Date and immediately after the allotment and issue of the Award Shares (assuming no other actual or potential change in the issued share capital of the Company other than the allotment and issue of the Award Shares) is as follows:

	As at the Latest Practicable Date		Immediately after the allotment and issue of the Award Shares to the Non- connected Grantees but before the allotment and issue of the Award Shares to the Connected Grantees		Immediately after the allotment and issue of the Award Shares to the Non- connected Grantees and Connected Grantees	
	Number of Shares	Approximate (%)	Number of Shares	Approximate (%)	Number of Shares	Approximate (%)
Ace Champion Inc. ^(Note 1)	468,750,000	37.5	468,750,000	36.88	468,750,000	36.66
Forever Golden Inc. ^(Note 2)	468,750,000	37.5	468,750,000	36.88	468,750,000	36.66
Connected Grantees						
— Ms. Li Sen Julian ^(Note 3)	—	—	—	—	3,812,500	0.30
— Ms. Tang Suk Yee ^(Note 4)	—	—	—	—	3,812,500	0.30
Public Shareholders						
Non-Connected Grantees ^(Note 5)	—	—	20,937,500	1.65	20,937,500	1.64
Other Public Shareholders	<u>312,500,000</u>	<u>25.0</u>	<u>312,500,000</u>	<u>24.59</u>	<u>312,500,000</u>	<u>24.44</u>
Total	<u><u>1,250,000,000</u></u>	<u><u>100.0</u></u>	<u><u>1,270,937,500</u></u>	<u><u>100%</u></u>	<u><u>1,278,562,500</u></u>	<u><u>100%</u></u>

Notes:

1. 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 31 March 2021.
2. 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.
3. On 28 June 2021, the Board resolved to grant 3,812,500 Award Shares to Ms. Li Sen Julian. Such grant remains subject to the fulfillment of the applicable requirements under Chapter 14A of the Listing Rules, as disclosed in this circular.
4. On 28 June 2021, the Board resolved to grant 3,812,500 Award Shares to Ms. Tang Suk Yee. Such grant remains subject to the fulfillment of the applicable requirements under Chapter 14A of the Listing Rules, as disclosed in this circular.
5. The Non-Connected Grantees are Employees of the Group and are independent of and not connected with the Company and its connected persons. The Award Shares were granted by the Company to the Non-connected Grantees for nil consideration, for the purpose of rewarding the

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Non-connected Grantee's contribution to the Group and incentivizing the Non-connected Grantees for better future performance. The grant of Award Shares to the Non-connected Grantees is not financed directly or indirectly by any core connected person of the Company. Upon the allotment and issue of the Award Shares, subject to the Lock-up Undertaking, the Non-connected Grantees will enjoy all Shareholders' rights in the Award Shares *pari passu* with other Shares in issue, including disposal and voting rights at their sole discretion. The Company is not aware that any Non-connected Grantee is accustomed to take instructions from a core connected person of the Company in relation to the acquisition, disposal, voting or other disposition of the Shares registered in his/her name or otherwise held by him/her. Therefore, the Award Shares to be allotted and issued to the Non-connected Grantees are considered to be held in public hands for the purpose of Rule 8.24 of the Listing Rules.

Immediately after the issue and allotment of the Award Shares, the shareholding of the Company's existing public shareholders will be diluted from 26.24% to 26.08%. Having considered the immaterial dilution effect on the shareholding of the Company's public shareholders as well as the reasons and benefits of the issue of Award Shares to the Connected Grantees, we are of the opinion that the potential dilution of the Independent Shareholders is acceptable.

RECOMMENDATION

Having considered the above principal factors and reasons, we concur with the Directors' view that, (a) the terms of the proposed allotment and issue of the Award Shares to the Connected Grantees and the transactions contemplated thereunder (including the Specific Mandate) are fair and reasonable so far as the Independent Shareholders are concerned; (b) the proposed allotment and issue of Award Shares to the Connected Grantees, though not in ordinary and usual course of business of the Group, is in the interests of the Company and its Shareholders as a whole, and important for the Group's business development in future and is on normal commercial terms. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the relevant resolutions in relation to the proposed allotment and issue of the Award Shares to the Connected Grantees and the transactions contemplated thereunder (including the Specific Mandate) at the forthcoming EGM.

Yours faithfully,
For and on behalf of
Pulsar Capital Limited
Bernard Tam
*Managing Director and Head
of Investment Banking*

Mr. Bernard Tam is a Responsible Officer of Pulsar Capital Limited licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has over 20 years of experience in corporate finance industry.

(A) RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

(B) DISCLOSURE OF INTERESTS**(a) Director's and chief executive's interests in the Shares and underlying shares of the Company**

As at the Latest Practicable Date, the interests and short positions of the Directors, proposed directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which were taken or deemed to have been taken under such provisions of the SFO); (ii) recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as adopted by the Company, were as follows:

Name	Nature of Interest	Long Position/ Short Position	Number of Shares	Approximate % of Shareholding (Note 1)
Mr. Li Shu Yeh	Interest in controlled corporation (Note 2)	Long Position	468,750,000	37.5%
Ms. Li Sen Julian	Beneficial owner	Long Position	3,812,500	0.31%
Ms. Tang Suk Yee	Beneficial owner	Long Position	3,812,500	0.31%

Notes:

1. The percentage was calculated on the basis of 1,250,000,000 Shares in issue as at the Latest Practicable Date.
2. As at the Latest Practicable Date, Ace Champion Inc. (“**Ace Champion**”) is the legal and beneficial owner of 468,750,000 Shares, representing approximately 37.5% of the issued share capital of the Company. As 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. Mr. Li Shu Yeh is also the sole director of Ace Champion.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, proposed directors and chief executives of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company and any of its associated corporations which were required to be (i) 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 were taken or deemed to have been taken under such provisions of the SFO) or the Model Code adopted by the Company; or (ii) entered in the register required to be kept under Section 352 of the SFO.

(b) Substantial shareholders’ and other persons’ interests in the Shares and underlying shares of the Company

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, other than the interests of the Directors, proposed directors and chief executives of the Company as disclosed above, Shareholders who had interests or short positions in the Shares or underlying shares of the Company of 5% or more which need to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO, were as follows:

Name of Shareholder	Nature of Interest	Long Position/ Short Position	Number of Shares	Approximate % of issued share capital of the Company (Note 1)
Ace Champion	Beneficial owner (Note 2)	Long Position	468,750,000	37.5%
Forever Golden Inc.	Beneficial owner (Note 3)	Long Position	468,750,000	37.5%

Name of Shareholder	Nature of Interest	Long Position/ Short Position	Number of Shares	Approximate % of issued share capital of the Company (Note 1)
Ms. Sit Hor Wan	Interest in controlled corporation (Note 4)	Long Position	468,750,000	37.5%
Ms. Chan Pan Pan	Interest of spouse (Note 5)	Long Position	468,750,000	37.5%
Mr. Loo Kin Kuen Stephen	Interest of spouse (Note 6)	Long Position	468,750,000	37.5%

Notes:

1. The percentage was calculated on the basis of 1,250,000,000 Shares in issue as at the Latest Practicable Date.
2. As at the Latest Practicable Date, Ace Champion is the legal and beneficial owner of 468,750,000 Shares, representing approximately 37.5% of the issued share capital of the Company. As 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. As at the Latest Practicable Date, Forever Golden Inc. (“**Forever Golden**”) was the legal and beneficial owner of 468,750,000 Shares, representing approximately 37.5% of the issued share capital of the Company.
4. As at the Latest Practicable Date, the entire issued share capital of Forever Golden was beneficially owned by Ms. Sit Hor Wan, who is deemed to be interested in all the Shares held by Forever Golden under Part XV of the SFO. Ms. Sit Hor Wan is also the sole director of Forever Golden.
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, as at the Latest Practicable Date, the Directors were not aware of any other persons or companies who had any interest or short position in the Shares or underlying Shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(C) DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed directors of the Company had entered into or proposed to enter into a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

(D) COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors, proposed directors of the Company or their respective close associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

(E) DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting, which was significant in relation to the business of the Group; and
- (b) none of the Directors nor their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 March 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

(F) MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, claims or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

(G) QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the expert who had given opinion contained in this circular:

Name	Qualifications
Pulsar Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the proposed allotment and issue of Award Shares to the Connected Grantees and the transactions contemplated thereunder (including the grant of the Specific Mandate to allot and issue the Award Shares to the Connected Grantees)

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report and/or opinion dated 23 July 2021, as the case may be, and references to its name in the form and context in which they respectively appear.

As the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As the Latest Practicable Date, the above expert did not have, directly or indirectly, any interest in any assets which had since 31 March 2021 (being the date to which the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any members of the Group.

(H) MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

(I) DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 5:00 p.m. (except Saturdays and public holidays) at the principal place of business of the Company in Hong Kong at 11/F, Manhattan Centre, 8 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong for a period of 14 days from the date of this circular:

1. this circular;
2. the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
3. the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
4. the letter from the Independent Financial Adviser, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this circular; and
5. the consent letter from the Independent Financial Adviser referred to in the paragraph headed “Qualifications and Consents of Experts” in this appendix.

NOTICE OF EGM



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)

Words and expressions that are not expressly defined in this notice shall bear the same meaning as those defined in the circular of Fourace Industries Group Holdings Limited (the “**Company**”) dated 23 July 2021 (the “**Circular**”), unless the context requires otherwise.

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of the Company will be held at Crystal Room IV, 3/F, Panda Hotel, 3 Tsuen Wah Street, Tsuen Wan, Hong Kong on Monday, 9 August 2021 at 11:30 a.m., or immediately after the conclusion of the annual general meeting of the Company to be held on the same day, whichever is later, to consider and, if thought fit, to pass with or without amendments, the following resolution(s):

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) (i) the grant, allotment and issue of 3,812,500 Award Shares to Ms. Li Sen Julian, an executive Director and accordingly a connected person of the Company, is hereby approved, confirmed and ratified;
- (ii) any one or more of the Directors be and is/are hereby authorised to execute all such other documents, do all other acts and things and take such action as may in the opinion of the Director(s) be necessary, desirable or expedient to implement and give effect to the allotment and issue of Award Shares to Ms. Li Sen Julian and any other transactions contemplated thereunder;
- (b) (i) the grant, allotment and issue of 3,812,500 Award Shares to Ms. Tang Suk Yee, an executive Director and accordingly a connected person of the Company, is hereby approved, confirmed and ratified;
- (ii) any one or more of the Directors be and is/are hereby authorised to execute all such other documents, do all other acts and things and take such action as may in the opinion of the Director(s) be necessary, desirable or expedient to implement and give effect to the allotment and issue of Award Shares to Ms. Tang Suk Yee and any other transactions contemplated thereunder.”

NOTICE OF EGM

2. “**THAT** the Directors be and are hereby granted the Specific Mandate to allot and issue an aggregate of 7,625,000 new Shares to the Connected Grantees (namely, Ms. Li Sen Julian and Ms. Tang Suk Yee), provided that this Specific Mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates which may from time to time be granted to the Directors prior to the passing of this resolution.”

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

Hong Kong, 23 July 2021

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote instead of him. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorized on its behalf.
3. Where there are joint registered holders of any Shares, any one of such persons may vote at the EGM (or any adjournment thereof), either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders by present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
4. In order to be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
5. Delivery of an instrument appointing a proxy shall not preclude a Shareholder from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. **BAD WEATHER ARRANGEMENTS:** If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at or at any time after 8:00 a.m. on the date of the EGM, the EGM will be postponed and Shareholders will be informed of the date, time and venue of the postponed EGM by an announcement posted on the websites of the Company and the Stock Exchange. The EGM will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather condition bearing in mind their own situations.
7. The transfer books and register of members of the Company will be closed from Wednesday, 4 August 2021 to Monday, 9 August 2021, both dates inclusive. During such period, no share transfers will be effected. In order to qualify for attending the EGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 3 August 2021.
8. A form of proxy for use by Shareholders at the EGM is enclosed.

NOTICE OF EGM

9. The following precautionary measures will be taken by the Company for the EGM to prevent the spread of the COVID-19 epidemic: (i) compulsory temperature checks; (ii) compulsory wearing of surgical face masks; (iii) no provision of refreshments and/or souvenirs; and (iv) appropriate distancing and spacing. Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. Shareholders are encouraged to appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

As at the date of this notice, 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.