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## **FOURACE INDUSTRIES GROUP HOLDINGS LIMITED**

**科利實業控股集團有限公司**

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

**(Stock Code: 1455)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2024**

#### **FINANCIAL HIGHLIGHTS**

- Revenue for the year ended 31 March 2024 (“**FY2024**” or the “**Reporting Period**”) decreased by 26.7% to approximately HK\$268.0 million, when compared with approximately HK\$365.6 million for the year ended 31 March 2023 (“**FY2023**”).
- Gross profit for FY2024 decreased by 13.3% to approximately HK\$97.4 million (FY2023: approximately HK\$112.4 million). The gross profit margin increased by 5.6 percentage points to 36.3% for FY2024 (FY2023: 30.7%).
- Profit attributable to equity holders of the Company for FY2024 decreased by 39.7% to approximately HK\$38.7 million (FY2023: HK\$64.2 million) and the profit margin also decreased by 3.2 percentage points to 14.4% (FY2023: 17.6%).
- Earnings per share for profit attributable to equity holders of the Company for FY2024 was HK3.0 cents (FY2023: HK5.0 cents).
- The Board of Directors do not recommend to pay a final dividend for FY2024 (FY2023: a final dividend and a special dividend of HK1.5 cents per share and HK0.8 cent per share, respectively).

## ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Fourace Industries Group Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the Reporting Period, together with comparative figures for FY2023 as set forth below.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2024

		<b>Year ended 31 March</b>	
	<i>Note</i>	<b>2024</b>	<b>2023</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	3	<b>268,024</b>	365,561
Cost of sales	5	<b>(170,659)</b>	(253,150)
<b>Gross profit</b>		<b>97,365</b>	112,411
Other income		<b>1,438</b>	3,154
Other gains, net	4	<b>3,569</b>	3,954
Selling and distribution expenses	5	<b>(20,853)</b>	(4,458)
Research and development expenses	5	<b>(7,887)</b>	(8,377)
Administrative expenses	5	<b>(33,923)</b>	(35,617)
<b>Operating profit</b>		<b>39,709</b>	71,067
Finance income		<b>9,275</b>	5,224
Finance costs		<b>(163)</b>	(1)
<b>Profit before taxation</b>		<b>48,821</b>	76,290
Income tax expenses	6	<b>(10,105)</b>	(12,085)
<b>Profit for the year</b>		<b>38,716</b>	64,205
<b>Other comprehensive income for the year</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation difference		<b>(3,108)</b>	(6,991)
Other comprehensive income for the year, net of tax		<b>(3,108)</b>	(6,991)
<b>Total comprehensive income for the year</b>		<b>35,608</b>	57,214
<b>Earnings per share for profit attributable to equity holders of the Company for the year</b>			
Basic and diluted earnings per share ( <i>HK cents per share</i> )	7	<b>3.0</b>	5.0

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 MARCH 2024**

		<b>As at 31 March</b>	
	<i>Note</i>	<b>2024</b>	<b>2023</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets		<b>4,689</b>	1,661
Property, plant and equipment		<b>96,697</b>	103,570
Investment property		–	619
Prepayments	<i>11</i>	<b>6,141</b>	4,575
Deferred income tax assets		<b>2,941</b>	2,330
		<b>110,468</b>	112,755
<b>Current assets</b>			
Inventories	<i>9</i>	<b>37,451</b>	31,656
Trade receivables	<i>10</i>	<b>53,619</b>	39,140
Contract assets		<b>7,362</b>	8,389
Other receivables, deposits and prepayments	<i>11</i>	<b>10,558</b>	8,579
Income tax recoverable		<b>2,885</b>	1,817
Pledged bank deposits	<i>12</i>	–	7,317
Cash and cash equivalents	<i>12</i>	<b>253,573</b>	247,126
		<b>365,448</b>	344,024
<b>Total assets</b>		<b>475,916</b>	456,779
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Share capital	<i>13</i>	<b>12,786</b>	12,786
Reserves		<b>401,325</b>	392,578
<b>Total equity</b>		<b>414,111</b>	405,364

		<b>As at 31 March</b>	
	<i>Note</i>	<b>2024</b>	2023
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>2,390</b>	—
Deferred income tax liabilities		<b>7,680</b>	6,053
		<u><b>10,070</b></u>	<u>6,053</u>
<b>Current liabilities</b>			
Trade payables	14	<b>25,843</b>	24,440
Accruals and other payables	15	<b>25,042</b>	20,703
Lease liabilities		<b>850</b>	—
Income tax payable		<b>—</b>	219
		<u><b>51,735</b></u>	<u>45,362</u>
<b>Total liabilities</b>		<u><b>61,805</b></u>	<u>51,415</u>
<b>Total equity and liabilities</b>		<u><b>475,916</b></u>	<u>456,779</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

Fourace Industries Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 29 March 2019 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the design, development, manufacturing and sale of personal care and lifestyle electrical appliances.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

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

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

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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information

The adoption of the above new and amendments to standards did not have significant financial impact on the consolidated financial statements.

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

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

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

### 3 SEGMENT INFORMATION AND REVENUE

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

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

During the year ended 31 March 2024, all of the Group's revenues are from contracts with customers and are recognised at a point in time.

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

	<b>Year ended 31 March</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Japan	<b>172,162</b>	220,632
United States	<b>71,252</b>	103,952
Europe	<b>16,492</b>	24,776
Others ( <i>Note</i> )	<b>8,118</b>	16,201
	<b>268,024</b>	<b>365,561</b>

*Note:* Others mainly include the PRC and other countries within the Asia Pacific region (2023: same).

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

	<b>Year ended 31 March</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Customer A	<b>83,250</b>	129,807
Customer B	<b>82,633</b>	67,444
Customer C	<b>77,356</b>	124,065
	<b>243,239</b>	<b>321,316</b>

The five largest customers accounted for approximately 99.3% of the revenue of the Group for the year (2023: approximately 99.4%).

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

	<b>Year ended 31 March</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Personal care electrical appliances		
— Hair styling series	<b>244,950</b>	328,703
— Grooming series	<b>14,874</b>	22,554
— Beauty care series	<b>1,985</b>	1,100
Sub-total	<b>261,809</b>	352,357
Others ( <i>Note</i> )	<b>6,215</b>	13,204
	<b>268,024</b>	<b>365,561</b>

*Note:* Others mainly represented revenue from sales of moulds and tools and spare parts.

#### 4 OTHER GAINS, NET

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Exchange gains, net	2,967	3,607
Net gains on disposal of property, plant and equipment	602	347
	<u>3,569</u>	<u>3,954</u>

#### 5 EXPENSES BY NATURE

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

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Auditors' remuneration		
— Audit services	820	820
— Non-audit services	122	349
Advertising and promotion fee	16,229	—
Land and building management fee	1,555	1,534
Cost of inventories sold	105,647	167,949
Cost of moulds and tools	1,403	4,737
Custom and declaration handling expenses	823	986
Depreciation of property, plant and equipment, investment property and right-of-use assets	12,556	13,293
Provision for impairment of slow-moving inventories	791	733
Provision for impairment of property, plant and equipment	—	303
Repair and maintenance expenses	1,776	2,028
Staff costs, including directors' remuneration	56,645	68,142
Legal and professional fee	3,690	2,685
Logistics expenses	248	348
Utilities	6,623	7,269
Subcontracting costs	14,413	18,884
Materials and consumables	2,853	2,901
Cleaning and sewage fee	920	987
Other taxes and stamp duty	1,550	1,841
Other expenses	4,658	5,813
	<u>233,322</u>	<u>301,602</u>



## 6 INCOME TAX EXPENSES

The amount of income tax expense charged to the consolidated statement of comprehensive income represents:

	Year ended 31 March	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	<b>8,350</b>	10,186
PRC corporate income tax	<b>442</b>	1,460
	<hr/>	<hr/>
Total current income tax	<b>8,792</b>	11,646
	<hr/>	<hr/>
Deferred taxation	<b>1,313</b>	439
	<hr/>	<hr/>
Income tax expense	<b>10,105</b>	12,085
	<hr/> <hr/>	<hr/> <hr/>

## 7 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year ended 31 March 2024.

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

	Year ended 31 March	
	2024	2023
Profit attributable to equity holders of the Company ( <i>HK\$'000</i> )	<b>38,716</b>	64,205
Weighted average number of shares in issue ( <i>in thousands</i> )	<b>1,278,563</b>	1,278,563
	<hr/>	<hr/>
Basic earnings per share ( <i>HK cents per share</i> ) ( <i>Note</i> )	<b>3.0</b>	5.0
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

Diluted earnings per share for the year ended 31 March 2024 were the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the year (2023: same).

## 8 DIVIDENDS

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Final dividend recognised as distribution to ordinary shareholders during the year	<u>29,407</u>	<u>19,178</u>
Proposed final dividend of nil (2023: HK1.5 cents) per share	–	19,178
Proposed special dividend of nil (2023: HK0.8 cent) per share	<u>–</u>	<u>10,229</u>
	<u>–</u>	<u>29,407</u>

The Board of Directors do not recommend to pay a final dividend for the year ended 31 March 2024.

## 9 INVENTORIES

	As at 31 March	
	2024	2023
	HK\$'000	HK\$'000
Raw materials	19,441	17,978
Work-in-progress	5,681	6,456
Finished goods	<u>12,329</u>	<u>7,222</u>
	<u>37,451</u>	<u>31,656</u>

The cost of inventories sold recognised as expense and included in cost of sales amounted to HK\$105,647,000 for the year ended 31 March 2024 (2023: HK\$167,949,000).

For the year ended 31 March 2024, inventory provision amounted to HK\$791,000 (2023: HK\$733,000) was charged to cost of sales in the consolidated statement of comprehensive income.

## 10 TRADE RECEIVABLES

	As at 31 March	
	2024	2023
	HK\$'000	HK\$'000
Trade receivables	<u>53,619</u>	<u>39,140</u>

The Group's sales are on credit terms primarily ranging from 30 to 120 days. At 31 March 2023 and 2024, the ageing analysis of the trade receivables, based on invoice date, was as follows:

	As at 31 March	
	2024	2023
	HK\$'000	HK\$'000
Up to 3 months	38,421	36,999
3 to 6 months	<u>15,198</u>	<u>2,141</u>
	<u>53,619</u>	<u>39,140</u>

The Group applies the general approach to provide credit losses prescribed by HKFRS 9, which taken into account the probability of default and loss given default with reference to the historical delinquency ratio of finance lease receivables, collateral values, credit rating of customers and current and forward-looking information on macroeconomic factors. Based on the assessment, provision for expected credit loss of trade receivables amounted to HK\$9,000 (2023: HK\$6,000) was provided.

The maximum exposure to credit risk as at 31 March 2024 was the carrying amounts of the trade receivables (2023: same). The Group did not hold any collateral as security. The carrying amounts of trade receivables approximate their fair values.

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

	As at 31 March	
	2024	2023
	HK\$'000	HK\$'000
United States dollars ("US\$")	53,605	39,001
Renminbi ("RMB")	3	139
HK\$	<u>11</u>	<u>—</u>
	<u>53,619</u>	<u>39,140</u>

# 11 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March	
	2024	2023
	HK\$'000	HK\$'000
<b>Non-current</b>		
Prepayments for purchase of property, plant and equipment	5,939	4,575
Rental deposits	202	—
	<u>6,141</u>	<u>4,575</u>
	-----	-----
<b>Current</b>		
Deposits	79	200
Prepayments	4,747	4,927
Interest receivables	1,538	1,532
Other receivables	1,188	858
Amount due from e-commerce platforms	543	—
Value-added tax recoverable	2,463	1,062
	<u>10,558</u>	<u>8,579</u>
	-----	-----
	<u>16,699</u>	<u>13,154</u>
	=====	=====

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

	As at 31 March	
	2024	2023
	HK\$'000	HK\$'000
RMB	14,478	10,599
HK\$	704	734
US\$	1,517	1,821
	<u>16,699</u>	<u>13,154</u>
	=====	=====

## 12 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	<b>As at 31 March</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
Pledged bank deposits	<u>–</u>	<u>7,317</u>
Cash at banks	<b>253,557</b>	247,083
Cash on hand	<u><b>16</b></u>	<u>43</u>
	<u><b>253,573</b></u>	<u>247,126</u>
Maximum exposure to credit risk	<u><b>253,557</b></u>	<u>254,400</u>

As at 31 March 2023, pledged bank deposit of HK\$5,026,000 is pledged to secure banking facilities granted to the Group. The effective interest rate of pledged bank deposits was 0.30% per annum and had a renewal period of 31 days. The carrying amount of pledged bank deposit was denominated in US\$. No pledged bank deposit as at 31 March 2024.

As at 31 March 2023, pledged bank deposit of HK\$2,291,000 is held in designated bank account as collateral for a bank guarantee of the Group as requested by Shenzhen Electric Power Supply Bureau for stabilising electricity supply. The effective interest rate of pledged bank deposits was 0.29%. The carrying amount of pledged bank deposit was denominated in RMB. No pledged bank deposit as at 31 March 2024.

Cash and cash equivalents are denominated in the following currencies.

	<b>As at 31 March</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
US\$	<b>227,551</b>	213,317
RMB	<b>14,253</b>	29,733
HK\$	<b>11,749</b>	4,054
EURO	<b>11</b>	12
Japanese Yen	<u><b>9</b></u>	<u>10</u>
	<u><b>253,573</b></u>	<u>247,126</u>

As at 31 March 2024, cash and cash equivalents of approximately HK\$7,902,000 (2023: HK\$21,756,000) were held in the PRC banks and were subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

### 13 SHARE CAPITAL

	As at 31 March 2024		As at 31 March 2023	
	Number of ordinary shares	Nominal value of ordinary shares HK\$	Number of ordinary shares	Nominal value of ordinary shares HK\$
<i>Authorised:</i>				
Ordinary shares of HK\$0.01 each	<u>10,000,000,000</u>	<u>100,000,000</u>	<u>10,000,000,000</u>	<u>100,000,000</u>
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.01 each	<u>1,278,562,500</u>	<u>12,785,625</u>	<u>1,278,562,500</u>	<u>12,785,625</u>

### 14 TRADE PAYABLES

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

	As at 31 March	
	2024	2023
	HK\$'000	HK\$'000
Within 1 month	11,936	10,474
1–2 months	3,426	8,140
2–3 months	5,486	2,158
Over 3 months	<u>4,995</u>	<u>3,668</u>
	<u>25,843</u>	<u>24,440</u>

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

Trade payables are denominated in the following currencies:

	<b>As at 31 March</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
US\$	<b>852</b>	594
HK\$	<b>596</b>	1,481
RMB	<b>24,395</b>	22,344
Japanese Yen	<b>—</b>	21
	<b>25,843</b>	<b>24,440</b>

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

## 15 ACCRUALS AND OTHER PAYABLES

	<b>As at 31 March</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Accrued expenses		
— Staff costs	<b>3,337</b>	3,633
— Others	<b>1,679</b>	1,910
Contract liabilities	<b>16,976</b>	11,497
Provision for employees' benefit	<b>587</b>	1,093
Other payables	<b>2,463</b>	2,570
	<b>25,042</b>	<b>20,703</b>

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

	<b>As at 31 March</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
US\$	<b>5,037</b>	10,076
RMB	<b>13,813</b>	7,089
HK\$	<b>6,192</b>	3,538
	<b>25,042</b>	<b>20,703</b>

## OVERVIEW

The Group is principally engaged in the design, development and manufacturing of personal care and lifestyle electrical appliances on an ODM basis. Our customers are mainly international brand owners with products marketed mainly in the United States, Japan and Europe. Personal care electrical appliances produced by the Group can be broadly classified into three major categories, including the hair styling series, the grooming series and the beauty care series. In particular, the Group is specialized in hair dryers within its hair styling series which primarily target at the high-end market. In parallel, the Group has continued to and remains dedicated in the development and sale of personal care and lifestyle electrical appliance products with its own brand to retail customers under an Original Brand Manufacturer (“**OBM**”) model.

## BUSINESS REVIEW

For FY2024, the Group continued to face tough and uncertain global business environment against the backdrop of intensifying geopolitical tensions, high inflation and high interest rate. All these adverse factors have led to sluggish demand and weak consumption sentiment.

During the Reporting Period, the Group recorded revenue of approximately HK\$268.0 million, representing a year-on-year decline of approximately 26.7% from approximately HK\$365.6 million for FY2023. The considerable decrease in sales for FY2024 was primarily attributable to the decrease in sales to two major customers as a result of their reduced demand for hair styling products.

Profit attributable to the equity holders of the Company decreased by approximately HK\$25.5 million or 39.7% from approximately HK\$64.2 million for FY2023 to approximately HK\$38.7 million for FY2024. The Group’s net profit margin decreased by approximately 3.2 percentage points from approximately 17.6% to approximately 14.4% during the same period. The decrease in profit was primarily attributable to the decrease in sales as mentioned above which also led to a decrease in gross profit; the increase in marketing and distribution expenses primarily attributable to the development of the Group’s OBM business; partially offset by a mild improvement in the gross profit margin of the Group’s products.

In FY2024, the Company has speed up its progress in the development of its business under an OBM model and will continue to invest in marketing efforts to further promote the Group’s personal care and lifestyle electrical appliances under its own brand names in the PRC and Hong Kong markets.



## **PROSPECTS**

The Group anticipates strong challenge in the financial year ending 31 March 2025 due to continuous geopolitical tensions and economic uncertainties. In view of weaker consumer sentiment, orders from customers may continue to reduce and become slow. However, our management will remain resilient to tackle these situations and our Sales, Production and R&D teams are committed to maintaining strong customer relationships, delivering quality products, leveraging our core technologies and ensuring stability in the supplies of our products to meet the customers' sales to various tiers of markets.

On the other hand, the Group would continue to focus its resources on the development of its business under an OBM model. Having accumulated years of experience in product design and development, the Company is confident that it would be able to leverage its abundant reserve of technical know-how and manufacturing capacity to expand its business into the retail market.

The Group has been conducting research and development as well as market studies for its personal care and lifestyle electrical appliances. A business plan comprising marketing plan, budget and manufacturing schedule has also been formulated by the Company for the gradual introduction of its products guided by the indicative time frame and priority of resources allocation and product introduction.

The Group has launched its first exquisite personal care product in the PRC and Hong Kong markets and will continue to invest in the further development of its products offerings and ancillary products, optimize the quality and functions of its products and ensure that sufficient resources such as talents, manufacturing capacities and administrative support etc. will be available to the OBM business.

Directors will continuously revisit its development plans of the OBM business to cope with the changing market conditions and strive for better business performance for the Group and in the best interest of the Group and the Shareholders as a whole.

## **FINANCIAL REVIEW**

### **Revenue**

The total revenue of the Group decreased by approximately HK\$97.6 million or 26.7% from approximately HK\$365.6 million for FY2023 to approximately HK\$268.0 million for FY2024. Such decrease was mainly attributable to the decrease in sales of hair styling series of the personal care electrical appliances.

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

The Group's gross profit decreased by approximately HK\$15.0 million or 13.3% to approximately HK\$97.4 million for FY2024 (FY2023: approximately HK\$112.4 million). The gross profit margin increased by approximately 5.6 percentage points to approximately 36.3% for FY2024 (FY2023: approximately 30.7%) which was mainly attributable to decrease in direct labour costs and the depreciation in RMB against USD.

### **Selling and distribution expenses**

The selling and distribution expenses of the Group increased by approximately HK\$16.4 million (approximately 364.4%) to approximately HK\$20.9 million for FY2024 (FY2023: approximately HK\$4.5 million) due to increase in marketing and distribution expenses for the launch of our own brand personal care product in the PRC and Hong Kong markets.

### **Administrative expenses**

The administrative expenses of the Group slightly decreased by approximately HK\$1.7 million or 4.8% to approximately HK\$33.9 million for FY2024 (FY2023: approximately HK\$35.6 million).

### **Finance costs**

The Group recorded a finance cost of approximately HK\$163,000 during the Reporting Period due to an interest expense on lease liabilities (FY2023: approximately HK\$1,000 from bank borrowing). The Group had no bank borrowings since June 2022.

### **Income tax expenses**

The Group's income tax expenses decreased by approximately HK\$2.0 million or 16.5% to approximately HK\$10.1 million for FY2024 (FY2023: approximately HK\$12.1 million). The effective tax rate of the Group for FY2024 was approximately 20.7% (FY2023: approximately 15.8%).

## **Net profit**

Profit attributable to the equity holders of the Company decreased by approximately HK\$25.5 million or 39.7% from approximately HK\$64.2 million for FY2023 to approximately HK\$38.7 million for FY2024. The Group's net profit margin decreased by approximately 3.2 percentage points from approximately 17.6% to approximately 14.4% during the same period. The decrease in profit was primarily attributable to the decrease in sales as mentioned above which also led to a decrease in gross profit; the increase in marketing and distribution expenses primarily attributable to the development of the Group's OBM business; partially offset by a mild improvement in the gross profit margin of the Group's products.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

### **Funding and Treasury Policy**

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

### **Liquidity**

As at 31 March 2024, the Group maintained cash and bank balances of approximately HK\$253.6 million (as at 31 March 2023: approximately HK\$247.1 million). The Group will continue to maintain a healthy liquidity position to fund its operations and future business development.

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

As at 31 March 2024, the Group had no bank borrowings (as at 31 March 2023: nil).

As at 31 March 2024, the Group had unutilised banking facilities of approximately HK\$34.5 million and are secured by (i) a legal charge over an industrial property of the Group held for its own use in Hong Kong with net book value amounted to approximately HK\$3.5 million as at 31 March 2024 (as at 31 March 2023: approximately HK\$3.6 million); (ii) a legal charge over an industrial property of the Group originally held for earning rental income in Hong Kong but now changed to own use with net book value amounted to approximately HK\$584,000 as at 31 March 2024 (as at 31 March 2023: approximately HK\$619,000); and (iii) corporate guarantee by the Company.

The Group is not committed to draw down the unutilised amount. The Group intended to utilise such facilities for its working capital purposes, including purchase of raw materials to support its business operation, where appropriate.

As at 31 March 2024, the gearing ratio of the Group was nil (as at 31 March 2023: nil). The gearing ratio is calculated by dividing the Group's interest-bearing borrowing by Group's total equity as at the end of the respective financial period and multiplied by 100%. The Group had no interest-bearing bank borrowings since June 2022.

## **FOREIGN EXCHANGE EXPOSURE**

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

## **CAPITAL COMMITMENT**

As at 31 March 2024, the Group had capital commitments contracted but not provided for property, plant and equipment amounted to approximately HK\$0.2 million (as at 31 March 2023: approximately HK\$1.7 million).

## **CONTINGENT LIABILITIES**

As at 31 March 2024, the Group did not have any material contingent liabilities (as at 31 March 2023: nil).

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

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

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND EXPECTED SOURCE OF FUNDING**

Saved as disclosed in the prospectus of the Company dated 31 August 2020 (the “**Prospectus**”) and this announcement, the Group had no future plans for material investments or capital assets as at 31 March 2024. The Group will continue to monitor the industry closely and review its business expansion plans regularly, so as to take necessary measures in the Group’s best interests.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 March 2024, the Group had a total of 446 employees (as at 31 March 2023: 541). The employees’ remuneration depends on their particular duties and their performance. The Group’s general workers are paid according to the Shenzhen minimum wage standard, and the basic salary of its management, engineering, and technical staff is generally determined with reference to the same industry standards and the staff may be entitled to allowance and bonus or equity incentive based on their performance evaluation. The Group conducts employee performance review annually to evaluate and adjust its employees’ remuneration. The Group enters into individual employment agreements with the employees, with terms covering, among other things, positions, salaries, working hours, annual leave and other benefits. During the Reporting Period, the Group’s total staff costs amounted to approximately HK\$56.6 million (as at 31 March 2023: approximately HK\$68.1 million).

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

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

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

## **FINAL DIVIDEND**

The Board of Directors do not recommend to pay a final dividend (FY2023: a final dividend of HK1.5 cents and a special dividend of HK0.8 cent).

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds (the “**Net Proceeds**”) from the Global Offering (as defined in the Prospectus) were approximately HK\$66.2 million.

As at 31 March 2024, the Group had used approximately HK\$27.5 million, representing approximately 41.5% of the Net Proceeds, and the remaining balance of the Net Proceeds was approximately HK\$38.7 million (the “**Unutilized Net Proceeds**”).

As disclosed in the Company’s announcement dated 5 June 2024 (the “**Change in Use of Proceeds Announcement**”), the Board resolved to change the use of Net Proceeds. Details of the original allocation of the Net Proceeds, the application of the Net Proceeds during FY2024, the utilized Net Proceeds as at 31 March 2024 and the revised allocation of the Unutilized Net Proceeds are set out as follows:

Business objective as stated in the Prospectus	Original allocation of the Net Proceeds		Amount of unutilised net proceeds as at 31 March 2023	Actual use of Net Proceeds during the Reporting Period	Utilized amount of the Net Proceeds as at 31 March 2024	Unutilized Net Proceeds as at 31 March 2024	Revised allocation of the Unutilized Net Proceeds		Expected timeline for use of the Unutilized Net Proceeds
	HK\$' million	%	HK\$' million	HK\$' million	HK\$' million	HK\$' million	HK\$' million	%	
Expanding and upgrading the Company’s production facilities to enhance the Company’s production capabilities	36.1	54.5%	21.4	(1.7)	(16.4)	19.7	–	–	–
Enhancing the Company’s research and engineering capabilities	16.4	24.8%	15.7	(0.3)	(1.0)	15.4	–	–	–
Introducing new products carrying the Company’s brands	8.5	12.9%	2.0	(0.3)	(6.8)	1.7	19.3	49.9%	By June 2026
Enhancing the Company’s sales and marketing efforts in the global market including the PRC market	2.3	3.5%	1.5	(1.5)	(2.3)	–	17.5	45.2%	By June 2026
Upgrading the Company’s information technology system and design-aided software	2.9	4.3%	2.7	(0.8)	(1.0)	1.9	1.9	4.9%	By June 2026
	<u>66.2</u>	<u>100%</u>	<u>43.3</u>	<u>(4.6)</u>	<u>(27.5)</u>	<u>38.7</u>	<u>38.7</u>	<u>100%</u>	

Pursuant to the Change in Use of Proceeds Announcement, the Group has decided to reallocate (i) HK\$19.7 million in the Unutilized Net Proceeds originally intended for expanding and upgrading the Company’s production facilities to enhance the Company’s production capabilities; and (ii) HK\$15.4 million in the Unutilized Net Proceeds originally intended for enhancing the Company’s research and engineering capabilities, for the usage of introducing new products carrying the Group’s own brand names (HK\$17.6 million) and enhancing the Company’s sales and marketing efforts (HK\$17.5 million). Please refer to the Change in Use of Proceeds Announcement for details.

As at 31 March 2024, the Unutilised Net Proceeds were deposited with certain licensed banks in Hong Kong,

The expected timeline for utilising the Unutilised Net Proceeds for the business objectives is based on the best estimation of the future market conditions made by the Group. It is subject to change based on the current and future development of the market conditions.

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

So far as the Directors are aware, as at 31 March 2024, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) to be notified to the Company and the Stock Exchange or which are required pursuant to section 352 of the SFO to be entered in the register referred to therein, were as follows:

<b>Name of Director/ Chief Executive</b>	<b>Nature of interest</b>	<b>Number and class of securities (Note 1)</b>	<b>Approximate percentage of shareholding interest</b>
Mr. Li Shu Yeh (Note 2)	Interest in controlled corporation (Note 3)	468,750,000 Shares (L)	36.7%
Ms. Li Sen Julian	Beneficiary owner	3,812,500 Shares (L)	0.3 %
Ms. Tang Suk Yee	Beneficiary owner	3,812,500 Shares (L)	0.3 %

*Notes:*

1. The letter “L” denotes the person’s long position in the shares of the Company (the “**Shares**”).
2. As at 31 March 2024, Ace Champion Inc. (“**Ace Champion**”) is legally and beneficially owned by Mr. Li Shu Yeh as to 100% of its equity interest. Mr. Li Shu Yeh is deemed to be interested in the Shares in which Ace Champion is interested in pursuant to Part XV of the SFO.
3. Ace Champion, a limited liability company incorporated in the British Virgin Islands, is the legal and beneficial owner of 468,750,000 Shares, representing approximately 36.7% of the issued share capital of the Company as at 31 March 2024.

Save as disclosed above and so far as the Directors are aware, as at 31 March 2024, none of the Directors or the chief executive of the Company had any interests and/or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 31 March 2024, the following persons, other than the directors or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the shares of the Company.

<b>Name of person/ corporation</b>	<b>Nature of interest</b>	<b>Number and class of securities (Note 1)</b>	<b>Approximate percentage of shareholding interest</b>
Ace Champion (Note 2)	Beneficial owner	468,750,000 Shares (L)	36.7%
Forever Golden (Note 3)	Beneficial owner	468,750,000 Shares (L)	36.7%
Ms. Sit Hor Wan (Note 4)	Interest in controlled corporation	468,750,000 Shares (L)	36.7%
Ms. Chan Pan Pan (Note 5)	Interest of spouse	468,750,000 Shares (L)	36.7%
Mr. Loo Kin Kuen Stephen (Note 6)	Interest of spouse	468,750,000 Shares (L)	36.7%



*Notes:*

1. The letter “L” denotes the person’s long position in the Shares.
2. Ace Champion, a limited liability company incorporated in the British Virgin Islands, is the legal and beneficial owner of 468,750,000 Shares, representing approximately 36.7% of the issued share capital of the Company as at 31 March 2024. The entire issued capital of Ace Champion is beneficially owned by Mr. Li Shu Yeh.
3. Forever Golden Inc. (“**Forever Golden**”), is a limited liability company incorporated in the British Virgin Islands, is the legal and beneficial owner of 468,750,000 Shares, representing approximately 36.7% of the issued share capital of the Company.
4. The entire issued share capital of Forever Golden is beneficially owned by Ms. Sit Hor Wan, who is deemed to be interested in all the Shares held by Forever Golden by virtue of Part XV of the SFO.
5. Ms. Chan Pan Pan is the spouse of Mr. Li Shu Yeh. Therefore, Ms. Chan Pan Pan is deemed to be interested in the Shares in which Mr. Li Shu Yeh is interested under Part XV of the SFO.
6. Mr. Loo Kin Kuen Stephen is the spouse of Ms. Sit Hor Wan. Therefore, Mr. Loo Kin Kuen Stephen is deemed to be interested in the Shares in which Ms. Sit Hor Wan is interested under Part XV of the SFO.

Save as disclosed above, the Company had not been notified of any other persons (other than the Directors or chief executive of the Company) who, as at 31 March 2024, had interest or short position in the shares or underlying shares of the Company would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the shares of the Company.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules during the year ended 31 March 2024, except the deviation as disclosed below.

Code provision C.2.1 set out in the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Li Shu Yeh (“**Mr. SY Li**”), in addition to his duties as the chairman, is also responsible for the corporate strategic planning and overall business development of the Group as the chief executive officer of the Company. Mr. SY Li is one of the co-founders and he has extensive experience and knowledge in the business of the Group and his duties for overseeing the Group’s operations are considered to be beneficial to the Group. The Company considers having Mr. SY Li acting as both the chairman and chief executive officer will provide strong and consistent leadership to the Group and facilitate the efficient execution of the business strategies. Since the Directors would

meet regularly to consider major matters affecting operations of the Company, the Directors and the management of the Company believe that this structure will enable the Company to make and implement decisions promptly and efficiently. As a result, the Company currently does not propose to separate the functions of chairman and chief executive officer. The Board will continue to review and consider splitting the roles of chairman and chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

## **SHARE OPTION SCHEME**

To provide incentives or rewards to the staff and the Directors for their contribution or potential contribution to the growth and development of the Group, the Company adopted a share option scheme (the “**Share Option Scheme**”) on 21 August 2020, which has become effective upon Listing on 15 September 2020. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. No option was granted by the Company under the Share Option Scheme since its adoption and up to 31 March 2024.

## **CHANGE IN INFORMATION OF DIRECTORS**

Mr. Liu Kai Yu Kenneth was appointed as an independent non-executive director of Wuhan Youji Holdings Ltd., the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2881) with effect from 18 June 2024.

Save as disclosed above, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

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

## **SUFFICIENCY OF PUBLIC FLOAT**

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

## **ANNUAL GENERAL MEETING**

The forthcoming annual general meeting of the Company is currently expected to be held on Friday, 9 August 2024 (the “**AGM**”) and the notice of the AGM will be published and despatched in the manner as required by the Listing Rules and the articles of association of the Company.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 6 August 2024 to Friday, 9 August 2024 (both days inclusive), during such period no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 pm on Monday, 5 August 2024.

## **AUDIT COMMITTEE**

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. As at 31 March 2024, the Audit Committee had three members, who are all independent non-executive Directors, being Mr. Liu Kai Yu Kenneth (Chairman of the Audit Committee), Mr. Leung Wai Chuen and Mr. Man Yun James. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the annual results and the audited consolidated financial statements of the Group for FY2024.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the Group's consolidated statement of comprehensive income, the consolidated balance sheet, and the related notes thereto for the year ended 31 March 2024 as set out in this results announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 March 2024. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary results announcement.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

The Company's annual results announcement is published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.fourace.com](http://www.fourace.com).

The annual report of the Company for the year ended 31 March 2024 will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.fourace.com](http://www.fourace.com) in due course.

## **APPRECIATION**

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

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

Hong Kong, 26 June 2024

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