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FOURACE INDUSTRIES GROUP HOLDINGS LIMITED

科利實業控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1455)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 September 2024 (“**1H2025**” or the “**Reporting Period**”) increased by 23.2% to HK\$154.9 million, when compared with HK\$125.7 million for the six months ended 30 September 2023 (“**1H2024**”)
- Gross profit for 1H2025 increased by 14.0% to HK\$52.0 million (1H2024: HK\$45.6 million) while the gross profit margin for 1H2025 decreased by 2.7% to 33.6% (1H2024: 36.3%)
- Profit attributable to equity holders of the Company for 1H2025 increased by 25.1% to HK\$22.9 million (1H2024: HK\$18.3 million) and the profit margin increased by 0.2% to 14.8% (1H2024: 14.6%)
- Earnings per share for profit attributable to equity holders of the Company for 1H2025 was HK1.8 cents (1H2024: HK1.4 cents)
- The Board has resolved not to pay an interim dividend for 1H2025

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Fourace Industries Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the Reporting Period, together with the unaudited comparative figures for 1H2024 as set forth below. The condensed consolidated interim results are unaudited, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2024

		Six months ended 30 September 2024	2023
		HK\$'000	HK\$'000
	<i>Note</i>	(unaudited)	(unaudited)
Revenue	5	154,860	125,661
Cost of sales	7	(102,835)	(80,105)
Gross profit		52,025	45,556
Other income		863	1,068
Other gains, net	6	1,371	2,349
Selling and distribution expenses	7	(6,742)	(8,402)
Research and development expenses	7	(3,576)	(4,296)
Administrative expenses	7	(19,481)	(16,964)
Operating profit		24,460	19,311
Finance income		5,233	4,338
Finance costs		(68)	–
Profit before taxation		29,625	23,649
Income tax expenses	8	(6,679)	(5,386)
Profit for the period		22,946	18,263
Other comprehensive loss			
<i>Item that may be reclassified to profit and loss:</i>			
Currency translation difference		(517)	(4,480)
Total other comprehensive loss for the period, net of tax		(517)	(4,480)
Total comprehensive income for the period		22,429	13,783
Earnings per share for profit attributable to equity holders of the Company for the period (expressed in HK cents per share)			
Basic and diluted earnings per share	9	1.8	1.4

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2024

		As at 30 September 2024 HK\$'000 (unaudited)	As at 31 March 2024 HK\$'000 (audited)
	Note		
ASSETS			
Non-current assets			
Right-of-use assets		4,196	4,689
Property, plant and equipment		96,230	96,697
Deposits and prepayments		1,652	6,141
Deferred income tax assets		2,648	2,941
		<u>104,726</u>	<u>110,468</u>
Current assets			
Inventories		33,853	37,451
Trade receivables	11	79,993	53,619
Contract assets		6,251	7,362
Other receivables, deposits and prepayments		12,209	10,558
Income tax recoverable		–	2,885
Cash and cash equivalents		268,960	253,573
		<u>401,266</u>	<u>365,448</u>
Total assets		<u>505,992</u>	<u>475,916</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	13	12,786	12,786
Reserves		424,455	401,325
Total equity		<u>437,241</u>	<u>414,111</u>
LIABILITIES			
Non-current liability			
Lease liabilities		2,030	2,390
Deferred income tax liabilities		8,364	7,680
		<u>10,394</u>	<u>10,070</u>
Current liabilities			
Trade payables	12	31,832	25,843
Accruals and other payables		21,453	25,042
Lease liabilities		776	850
Income tax payable		4,296	–
		<u>58,357</u>	<u>51,735</u>
Total liabilities		<u>68,751</u>	<u>61,805</u>
Total equity and liabilities		<u>505,992</u>	<u>475,916</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION OF THE GROUP

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 September 2024 is prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting”. It should be read in conjunction with the consolidated financial statements for the year ended 31 March 2024, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those as described in the consolidated financial statements for the year ended 31 March 2024, except for the adoption of new standards, amendments and interpretations of HKFRSs effective for the financial year ending 31 March 2025. A number of amended standards became applicable for the current reporting period.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
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
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

4. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2024.

5. REVENUE AND SEGMENT INFORMATION

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

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

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

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Personal care electrical appliances		
— Hair styling series	142,971	112,907
— Grooming series	7,945	9,382
— Beauty care series	495	977
Sub-total	151,411	123,266
Others ^(Note)	3,449	2,395
	<u>154,860</u>	<u>125,661</u>

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

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

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Japan	72,703	77,891
United States	66,851	32,617
Europe	7,626	11,538
Others ^(Note)	7,680	3,615
	<u>154,860</u>	<u>125,661</u>

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

6. OTHER GAINS, NET

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Exchange gains, net	1,562	1,753
Net (losses)/gains on disposal of property, plant and equipment	(191)	596
	<u>1,371</u>	<u>2,349</u>

7. EXPENSES BY NATURE

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

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Auditors' remuneration		
— Audit services	425	425
Cost of inventories sold	68,758	51,395
Consumables	341	399
Cost of moulds and tools	589	444
Custom and declaration	537	395
Depreciation of property, plant and equipment and right-of-use assets	6,330	5,956
Land and building management fee	768	782
Legal and professional fee	1,927	2,174
Logistic expenses	159	122
Promotion expenses	3,933	6,208
Repair and maintenance expenses	1,165	913
Staff costs, including directors' remuneration	33,093	26,990
Subcontracting costs	6,678	6,727
Utilities	3,733	3,366
Other taxes and stamp duty	1,365	845
Other expenses	2,833	2,626
	<u>132,634</u>	<u>109,767</u>

8. INCOME TAX EXPENSES

For the six months ended 30 September 2024 and 2023, Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit. The Group's subsidiary in the PRC are subject to China corporate income tax at a rate of 25% on estimated assessable profits.

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax		
— Current tax on profit for the period	<u>6,039</u>	<u>4,155</u>
Deferred taxation	<u>640</u>	<u>1,231</u>
Income tax expense	<u><u>6,679</u></u>	<u><u>5,386</u></u>

9. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the Company's owners by the weighted average number of ordinary shares in issue during the six months ended 30 September 2024 and 2023.

	Six months ended	
	30 September	
	2024	2023
	(unaudited)	(unaudited)
Net profit attributable to the owners of the Company (HK\$'000)	22,946	18,263
Weighted average number of ordinary shares in issue (in thousand)	<u>1,278,562</u>	<u>1,278,562</u>
Basic earnings per share (in HK cents)	<u><u>1.8</u></u>	<u><u>1.4</u></u>

(b) Diluted earnings per share

Diluted earnings per share for the period ended 30 September 2024 and 2023 are the same as basic earnings per share as there were no potential dilutive ordinary shares issued.

10. DIVIDEND

For the six months ended 30 September 2024, the Board has resolved not to declare any interim dividend (the six months ended 30 September 2023: Nil).

11. TRADE RECEIVABLE

Trade receivables are denominated in the following currencies:

	As at 30 September 2024 <i>HK\$'000</i> (unaudited)	As at 31 March 2024 <i>HK\$'000</i> (audited)
US\$	79,982	53,605
RMB	–	3
HK\$	11	11
	<u>79,993</u>	<u>53,619</u>

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

	As at 30 September 2024 <i>HK\$'000</i> (unaudited)	As at 31 March 2024 <i>HK\$'000</i> (audited)
Up to 3 months	58,685	38,421
Over 3 months	21,308	15,198
	<u>79,993</u>	<u>53,619</u>

12. TRADE PAYABLES

Trade payable are denominated in the following currencies:

	As at 30 September 2024 <i>HK\$'000</i> (unaudited)	As at 31 March 2024 <i>HK\$'000</i> (audited)
US\$	235	852
HK\$	493	596
RMB	31,104	24,395
	<u>31,832</u>	<u>25,843</u>

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

	As at 30 September 2024 HK\$'000 (unaudited)	As at 31 March 2024 HK\$'000 (audited)
Within 1 month	11,400	11,936
1–2 months	8,800	3,426
Up to 3 months	8,669	5,486
Over 3 months	2,963	4,995
	<u>31,832</u>	<u>25,843</u>

13. SHARE CAPITAL

	Number of shares (Unaudited)	Nominal value HK\$ (Unaudited)
<i>Authorized:</i>		
Ordinary shares of HK\$0.01 each as at 30 September 2024 and 31 March 2024	<u>10,000,000,000</u>	<u>100,000,000</u>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.01 each as at 30 September 2024 and 31 March 2024	<u>1,278,562,500</u>	<u>12,785,625</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is principally engaged in the design, development and manufacturing of personal care and lifestyle electrical appliances on an ODM basis. Our customers are mainly international brand owners with products marketed mainly in the United States, Japan and Europe. Personal care electrical appliances produced by the Group can be broadly classified into three major categories, including the hair styling series, the grooming series and the beauty care series. In particular, the Group is specialized in hair dryers within its hair styling series which primarily target at the high-end market. In parallel, the Group is 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

In the first half year of the financial year ending 31 March 2025 (“FY2025”), the global economy continued to be plagued by high inflation, high interest rates and geopolitical uncertainties under Russia-Ukraine and Israel-Palestine conflicts and US-China tension.

Despite the above tough conditions, during the Reporting Period, the Group recorded revenue of approximately HK\$154.9 million, representing a year-on-year increase of approximately 23.2% from approximately HK\$125.7 million for 1H2024. The considerable increase in sales for 1H2025 was primarily attributed to the increase in orders for the hair styling products of the Group.

The gross profit margin of the Group decreased year-on-year by approximately 2.7% to approximately 33.6% (1H2024: approximately 36.3%). In view of the challenging general outlook of the industry and the business environment, the Group has been facing pressure from its customers for a price reduction in its products. We will closely communicate with such customers, use our best endeavour to address and accommodate their situation and provide different solutions with a view to overcoming the challenges facing by the Group in the second half of FY2025.

Profit attributable to the equity holders of the Company increased by approximately HK\$4.6 million or 25.1% from approximately HK\$18.3 million for 1H2024 to approximately HK\$22.9 million for 1H2025. The increase in profit was primarily attributable to the increase in sales of the hair styling products, decrease in marketing and distribution expenses for the development of the Group’s OBM business and the increase in bank interest income due to high deposit interest rates.

PROSPECTS

The Board considers that continuous geopolitical tensions, high interest rate and inflation together with weak consumer sentiment worldwide remains to pose strong challenges to the Group. The Group would continue to be under pressure due to the unstable and generally sluggish business environment, which may affect the performance of the Group in the second half of FY2025. At the same time, the Group continues to face macroeconomic uncertainties such as political risks resulting from the US presidential election and the new session of US Government, as the Group is primarily engaged in export sales. New policies imposed or measures taken by Mainland China may affect the Group financially as the Group may be subject to additional expenditures and other financial impact. In that condition, the Group may be affected by relevant policy and other consequential risks, which could result in liability and adversely affect the Group's performance and financial results in the second half of FY2025. As such, the Directors remain cautious about the Group's business outlook in the second half of FY2025.

However, the Group will continuously improve and streamline its business model and strategies across all aspects of operations, further prudent supply chain management and stringent cost control measures to reduce cost and enhance efficiency. Also, the Group would stay versatile in our research and development efforts, and give full play to our manufacturing capacity and resources planning in response to fluctuations in the market demands and new ideas and needs from customers.

In parallel to proactively seeking growth opportunities through new customers and new product innovations in our ODM business, we are also committed to diversifying the business model of the Group by introducing personal care and lifestyle electrical appliances under its own brand name(s). We endeavour to expand our product offerings in the beauty care series during the second half of FY2025, with an aim of providing a more diverse products portfolio for our customers.

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by approximately HK\$29.2 million (approximately 23.2%) from approximately HK\$125.7 million for 1H2024 to approximately HK\$154.9 million for 1H2025. Such increase was mainly attributable to the increase in the sales of the hair styling products to the US market.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$6.4 million (approximately 14.0%) to approximately HK\$52.0 million for the 1H2025 (1H2024: approximately HK\$45.6 million). The gross profit margin decreased by 2.7% to 33.6% for the Reporting Period (1H2024: 36.3%). The increase in Group's gross profit was mainly attributable to the increase in revenue of the hair styling series while the decrease in the gross profit margin was mainly attributable to the decrease in the average selling price of the hair styling series as compared to 1H2024.

Selling and distribution expenses

The selling and distribution expenses of the Group decreased by approximately HK\$1.7 million (approximately 20.2%) to approximately HK\$6.7 million for 1H2025 (1H2024: approximately HK\$8.4 million) due to decrease in promotion expenses for products of our own brand.

Administrative expenses

The administrative expenses of the Group increased by approximately HK\$2.5 million (approximately 14.7%) to approximately HK\$19.5 million for 1H2025 (1H2024: approximately HK\$17.0 million). Such increase was mainly attributable to the start up of the OBM business.

Finance costs

The Group recorded a finance cost of approximately HK\$68,000 during the Reporting Period due to an interest expense in lease liabilities (1H2024: Nil). The Group had no bank borrowings during the Reporting Period.

Income tax expenses

The Group's income tax expenses increased by approximately HK\$1.3 million or 24.1% to approximately HK\$6.7 million for 1H2025 (1H2024: approximately HK\$5.4 million). The effective tax rate of the Group for 1H2025 was approximately 22.6% and for 1H2024 was approximately 22.9%.

Net profit

Profit attributable to the equity holders of the Company increased by approximately HK\$4.6 million (approximately 25.1%) from approximately HK\$18.3 million for 1H2024 to approximately HK\$22.9 million for 1H2025. The Group's net profit margin slightly increased from 14.6% for 1H2024 to 14.8% for 1H2025. The increase was attributable to the increase in revenue as mentioned above and the increase in the Group's interest income due to a rise in deposit interest rate.

OTHER INFORMATION

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 30 September 2024, the Group maintained cash and bank balances of approximately HK\$269.0 million (as at 31 March 2024: approximately HK\$253.6 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 30 September 2024, the Group had no bank borrowings (as at 31 March 2024: Nil).

As at 30 September 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\$3.4 million as at 30 September 2024 (as at 31 March 2024: approximately HK\$3.5 million); (ii) a legal charge over an industrial property of the Group held for earning rental income in Hong Kong but now changed to own use with net book value amounted to approximately HK\$566,000 as at 30 September 2024 (as at 31 March 2024: approximately HK\$584,000); and (iii) corporate guarantee provided by the Company.

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

As at 30 September 2024, the gearing ratio of the Group was nil (as at 31 March 2024: 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%.

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. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

CAPITAL COMMITMENT

As at 30 September 2024, the Group had capital commitments contracted but not provided for property, plant and equipment amounted to approximately HK\$0.5 million (as at 31 March 2024: approximately HK\$0.2 million).

CONTINGENT LIABILITIES

As at 30 September 2024, the Group did not have any material contingent liabilities (as at 31 March 2024: 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 30 September 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 30 September 2024, the Group had a total of 408 employees (as at 31 March 2024: 446). The employees’ remuneration depends on their particular duties and their performance. The Group’s general workers are paid according to the Shenzhen minimum wage standard, and the basic salary of its management, engineering, and technical staff is generally determined with reference to the same industry standards and the staff may be entitled allowance and bonus based on their performance evaluation. The Group conducts employee performance review annually to evaluate and adjust its employees’ remuneration. The Group enters into individual employment agreements with the employees, with terms covering, among other things, positions, salaries, working hours, annual leave and other benefits. During the Reporting Period, the Group’s total staff costs amounted to approximately HK\$33.1 million (1H2024: approximately HK\$27.0 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. The Company has also adopted a share option scheme on 21 August 2020 for the purpose of providing incentives or rewards for selected eligible persons’ contribution or potential contribution to the growth and development of the Group.

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.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for 1H2025 (1H2024: Nil).

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 Board resolved to change the use of Net Proceeds. Details of the original allocation of the Net Proceeds, the utilized Net Proceeds as at 31 March 2024, the revised allocation of the Unutilized Net Proceeds and the application of the Net Proceeds during the Reporting Period are set out as follows:

Business objective as stated in the Prospectus	Original allocation of the Net Proceeds		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	Actual use of Net Proceeds during the Reporting Period	Amount unutilized as at 30 September 2024	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%	(16.4)	19.7	–	–	–	–
Enhancing the Company’s research and engineering capabilities	16.4	24.8%	(1.0)	15.4	–	–	–	–
Introducing new products carrying the Company’s brands	8.5	12.9%	(6.8)	1.7	17.6	(0.1)	19.2	By June 2026
Enhancing the Company’s sales and marketing efforts in the global market including the PRC market	2.3	3.5%	(2.3)	–	17.5	(4.3)	13.2	By June 2026
Upgrading the Company’s information technology system and design-aided software	2.9	4.3%	(1.0)	1.9	–	–	1.9	By June 2026
	<u>66.2</u>	<u>100%</u>	<u>(27.5)</u>	<u>38.7</u>	<u>35.1</u>	<u>(4.4)</u>	<u>34.3</u>	

As at 30 September 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 30 September 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:

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

Notes:

1. The letter “L” denotes the person’s long position in the shares of the Company (the “**Shares**”).
2. As at 30 September 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 30 September 2024.

Save as disclosed above and so far as the Directors are aware, as at 30 September 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 30 September 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.

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

Notes:

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 30 September 2024. The entire issued share 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 has not been notified of any other persons (other than the Directors or chief executive of the Company) who, as at 30 September 2024, had interest or a short position in the shares or underlying shares of the Company would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly interested in 5% or more of the shares of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions.

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. No option was granted by the Company under the Share Option Scheme since its adoption and up to 30 September 2024.

CHANGE IN INFORMATION OF DIRECTORS

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

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

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

DIRECTORS INTERESTS IN COMPETING BUSINESS

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

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND REPORTS OF THE COMPANY

This announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.fourace.com. The interim report will be published on the websites of the Stock Exchange and the Company's website in due course.

FORWARD LOOKING STATEMENTS

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

REVIEW OF INTERIM RESULTS

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

APPRECIATION

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

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

Hong Kong, 27 November 2024

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