

# FOURACE

## 科利

# 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  
於開曼群島註冊成立之有限公司

Stock Code 股份代號：1455



Interim Report 2020/21  
中期報告



# CONTENTS

- 2** Corporate Information
- 4** Condensed Consolidated Statement of Comprehensive Income
- 5** Condensed Consolidated Statement of Financial Position
- 7** Condensed Consolidated Statement of Changes in Equity
- 8** Condensed Consolidated Statement of Cash Flows
- 9** Notes to the Condensed Consolidated Interim Financial information
- 16** Management Discussion and Analysis
- 21** Corporate Governance and Other Information

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. LI Shu Yeh

*(Chairman and chief executive officer)*

Ms. LI Sen Julian

Ms TANG Suk Yee

### Independent non-executive Directors

Mr. LIU Kai Yu Kenneth

Mr. LEUNG Wai Chuen

Mr. MAN Yun James

### AUDIT COMMITTEE

Mr. LIU Kai Yu Kenneth *(Chairman)*

Mr. LEUNG Wai Chuen

Mr. MAN Yun James

### REMUNERATION COMMITTEE

Mr. MAN Yun James *(Chairman)*

Mr. LI Shu Yeh

Ms. LI Sen Julian

Mr. LIU Kai Yu Kenneth

Mr. LEUNG Wai Chuen

### NOMINATION COMMITTEE

Mr. LEUNG Wai Chuen *(Chairman)*

Mr. LIU Kai Yu Kenneth

Mr. LI Shu Yeh

Ms. TANG Suk Yee

Mr. MAN Yun James

### AUTHORISED REPRESENTATIVES

Ms. LI Sen Julian

Mr. TSANG Kai Ming

### COMPANY SECRETARY

Mr. TSANG Kai Ming

## AUDITORS

PricewaterhouseCoopers

*Certified Public Accountants and*

*Registered Public Interest Entity Auditor*

22/F., Prince's Building

Central

Hong Kong

## COMPLIANCE ADVISER

Innovax Capital Limited

Room 2002, 20/F

Chinachem Century Tower

178 Gloucester Road

Wanchai

Hong Kong

## LEGAL ADVISER AS TO HONG KONG LAW

Jeffrey Mak Law Firm

6/F, O.T.B. Building

259–265 Des Voeux Road Central

Hong Kong

## REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## 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

# CORPORATE INFORMATION

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

No.18 Shiwei Pinggang Industrial zone  
Jiangshi community, Gongming street  
Guangming New District  
Shenzhen, Guangdong  
China

## COMPANY WEBSITE

<http://www.fourace.com>

## STOCK CODE

1455

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking  
Corporation Limited  
HSBC Building  
1 Queen's Road Central  
Hong Kong

Bank of China (Hong Kong) Limited  
Bank of China Tower  
1 Garden Road  
Hong Kong

Bank of China Shenzhen Branch  
International Finance Building  
2022 Jianshe Road  
Luohu District  
Shenzhen  
Guangdong Province  
China

# INTERIM FINANCIAL INFORMATION

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 six months ended 30 September 2020 (“**1H2021**” or the “**Reporting Period**”), together with the unaudited comparative figures for the six months ended 30 September 2019 (“**1H2020**”) as set forth below. The condensed consolidated 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 2020

	Note	Six months ended 30 September 2020 HK\$'000 (unaudited)	Six months ended 30 September 2019 HK\$'000 (unaudited)
Revenue	5	201,159	193,172
Cost of sales	7	(138,734)	(136,252)
<b>Gross profit</b>		<b>62,425</b>	56,920
Other income		669	1,672
Other (losses)/gains, net	6	(2,259)	3,004
Selling and distribution expenses	7	(2,302)	(2,541)
Research and development expenses	7	(3,342)	(4,496)
Administrative expenses	7	(21,207)	(22,821)
<b>Operating profit</b>		<b>33,984</b>	31,738
Finance income		15	44
Finance costs		(48)	(162)
<b>Profit before taxation</b>		<b>33,951</b>	31,620
Income tax expenses	8	(6,811)	(7,086)
Profit for the period		<b>27,140</b>	24,534
<b>Other comprehensive income/(loss)</b>			
<i>Item that may be reclassified to profit and loss:</i>			
Currency translation difference		2,071	(2,940)
<b>Total other comprehensive income/(loss) for the period, net of tax</b>		<b>2,071</b>	(2,940)
<b>Total comprehensive income for the period</b>		<b>29,211</b>	21,594
<b>Earnings per share for profit attributable to owners of the Company during the period (expressed in HK cents per share)</b>			
Basic and diluted earnings per share	9	2.8	2.6

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	<i>Note</i>	<b>As at 30 September 2020 HK\$'000 (unaudited)</b>	<b>As at 31 March 2020 HK\$'000 (audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right of use assets		<b>2,026</b>	2,276
Property, plant and equipment		<b>113,033</b>	116,155
Investment property		<b>707</b>	725
Deposits and prepayments		<b>1,598</b>	1,684
Deferred income tax assets		<b>379</b>	6
		<b>117,743</b>	120,846
<b>Current assets</b>			
Inventories		<b>54,356</b>	36,018
Trade receivables	11	<b>101,041</b>	34,211
Contract assets		<b>2,230</b>	1,815
Other receivables, deposits and prepayments		<b>14,345</b>	13,772
Income tax recoverable		–	2,204
Pledged bank deposits		<b>4,974</b>	4,974
Cash and cash equivalents		<b>140,433</b>	56,420
		<b>317,379</b>	149,414
<b>Total assets</b>		<b>435,122</b>	270,260
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Share capital	13	<b>92,256</b>	–
Reserves		<b>221,695</b>	192,484
<b>Total equity</b>		<b>313,951</b>	192,484



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Deferred income tax liabilities		<b>3,877</b>	3,063
		<b>3,877</b>	3,063
<b>Current liabilities</b>			
Trade payables	12	<b>76,711</b>	44,051
Accruals and other payables		<b>27,299</b>	22,567
Borrowing		<b>3,056</b>	3,972
Lease liabilities		<b>202</b>	424
Income tax payable		<b>10,026</b>	3,699
		<b>117,294</b>	74,713
<b>Total liabilities</b>		<b>121,171</b>	77,776
<b>Total equity and liabilities</b>		<b>435,122</b>	270,260

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Attributable to owners of the Company (unaudited)						
	Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Retained earnings	Total
	HK\$'000 (Note 13)	HK\$'000 (Note 13)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance as at 1 April 2019 (audited)</b>	–	–	2,500	1,472	(1,794)	189,085	191,263
<b>Comprehensive income</b>							
— Profit for the period	–	–	–	–	–	24,534	24,534
<b>Other comprehensive loss</b>							
— Currency translation difference	–	–	–	–	(2,940)	–	(2,940)
<b>Total comprehensive (loss)/income</b>	–	–	–	–	(2,940)	24,534	21,594
<b>Transactions with owners</b>							
— Appropriation	–	–	–	1,195	–	(1,195)	–
<b>Balance as at 30 September 2019 (unaudited)</b>	–	–	2,500	2,667	(4,734)	212,424	212,857
<b>Balance as at 1 April 2020 (audited)</b>	–	–	2,500	2,301	(3,929)	191,612	192,484
<b>Comprehensive income</b>							
— Profit for the period	–	–	–	–	–	27,140	27,140
<b>Other comprehensive income</b>							
— Currency translation difference	–	–	–	–	2,071	–	2,071
<b>Total comprehensive income</b>	–	–	–	–	2,071	27,140	29,211
<b>Transactions with owners</b>							
— Appropriation	–	–	–	431	–	(431)	–
— Issuance of ordinary shares upon capitalisation issue	9,375	(9,375)	–	–	–	–	–
— Issuance of ordinary shares upon initial public offering	3,125	121,875	–	–	–	–	125,000
— Share issuance costs	–	(32,744)	–	–	–	–	(32,744)
	12,500	79,756	–	431	–	(431)	92,256
<b>Balance as at 30 September 2020 (unaudited)</b>	12,500	79,756	2,500	2,732	(1,858)	218,321	313,951



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September 2020 HK\$'000 (unaudited)	Six months ended 30 September 2019 HK\$'000 (unaudited)
<b>Cash flows from operating activities</b>		
Net cash (used in)/generated from operations	(11,949)	8,435
Interest received	8	44
Income tax refund	2,068	568
<b>Net cash (used in)/generated from operating activities</b>	<b>(9,873)</b>	9,047
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3,535)	(13,288)
Proceeds from disposal of property, plant and equipment	24	99
<b>Net cash used in investing activities</b>	<b>(3,511)</b>	(13,189)
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	–	15,500
Repayment of bank borrowings	(916)	(10,611)
Increase in pledged bank deposits	–	(4,967)
Payment of lease liabilities	(222)	(205)
Interest paid	(48)	(162)
Proceeds from issuance of shares	125,000	–
Listing expenses paid	(26,441)	(2,177)
<b>Net cash generated from/(used in) financing activities</b>	<b>97,373</b>	(2,622)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>83,989</b>	(6,764)
Effect on exchange rate difference	24	(235)
<b>Cash and cash equivalents at beginning of the period</b>	<b>56,420</b>	45,847
<b>Cash and cash equivalents at end of the period</b>	<b>140,433</b>	38,848

# 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**”).

On 31 August 2020, the Company issued a prospectus (the “**Prospectus**”) and launched a global offering of 312,500,000 shares at a price of HK\$0.40 per share (the “**Offer Price**”). The Company’s ordinary shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 15 September 2020.

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 2020 is prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting”. It should be read in conjunction with the accountant’s report included as Appendix I (the “**Accountant’s Report**”) of the Prospectus, 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 Accountant’s Report, except for the adoption of new standards, amendments and interpretations of HKFRSs effective for the financial year ending 31 March 2021. A number of amended standards became applicable for the current reporting period.

HKFRS 16 (Amendments)	COVID-19 Related Rent Concessions
HKAS 1 and HKAS 8 (Amendments)	Definition of material
HKFRS 3 (Amendments)	Definition of a business
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Interest Rate Benchmark Reform

The amended standards listed above did not have any impact on the amounts recognised in prior period and are not expected to significantly affect the current or future 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 Accountant’s Report in the Prospectus.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 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-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.

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

	Six months ended 30 September 2020 HK\$'000 (unaudited)	Six months ended 30 September 2019 HK\$'000 (unaudited)
Personal care electrical appliances		
— Hair styling series	<b>149,378</b>	159,490
— Grooming series	<b>24,232</b>	21,657
— Beauty care series	<b>17,914</b>	876
Sub-total	<b>191,524</b>	182,023
Lifestyle electrical appliances	<b>3,351</b>	4,526
Others ( <i>Note</i> )	<b>6,284</b>	6,623
	<b>201,159</b>	193,172

*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 utilised, is as follows:

	Six months ended 30 September 2020 HK\$'000 (unaudited)	Six months ended 30 September 2019 HK\$'000 (unaudited)
Japan	<b>82,234</b>	52,390
United States	<b>87,198</b>	116,616
Europe	<b>22,450</b>	17,897
Others ( <i>Note</i> )	<b>9,277</b>	6,269
	<b>201,159</b>	193,172

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 OTHER (LOSSES)/GAINS, NET

	Six months ended 30 September 2020 HK\$'000 (unaudited)	Six months ended 30 September 2019 HK\$'000 (unaudited)
Exchange (losses)/gains, net	(2,255)	2,936
Net (losses)/gains on disposal of property, plant and equipment	(4)	68
	<b>(2,259)</b>	3,004

## 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 2020 HK\$'000 (unaudited)	Six months ended 30 September 2019 HK\$'000 (unaudited)
Auditors' remuneration		
— Audit services	96	89
— Non-audit services	—	—
Changes in inventories of finished goods and work in progress	(9,310)	4,315
Consumables	919	1,895
Cost of moulds and tools	2,599	1,685
Custom and declaration	715	667
Depreciation of property, plant and equipment, investment property and right-of-use assets	6,480	5,217
Direct material costs	95,928	84,688
Land and building management fee	685	693
Legal and professional fee	344	876
Listing expenses	6,988	8,684
Logistic expenses	278	658
Repair and maintenance expenses	1,215	960
Staff costs, including directors' remuneration	37,338	37,336
Subcontracting costs	12,930	8,746
Utilities	3,871	4,537
Other taxes and stamp duty	849	1,293
Other expenses	3,660	3,771
	<b>165,585</b>	166,110

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 8 INCOME TAX EXPENSES

For the six months ended 30 September 2020 and 2019, Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit. The Group's subsidiaries in the PRC are subject to the PRC corporate income tax at a rate of 25% on estimated assessable profits.

	<b>Six months ended 30 September 2020 HK\$'000 (unaudited)</b>	Six months ended 30 September 2019 HK\$'000 (unaudited)
Current income tax		
— Current tax on profit for the period	<b>6,433</b>	5,992
Deferred taxation	<b>378</b>	1,094
Income tax expense	<b>6,811</b>	7,086

## 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 2020 and 2019.

- (i) the 2 ordinary shares of the Company issued on 29 March 2019 (date of incorporation) was treated as if it had been issued since 1 April 2019;
- (ii) the 937,499,998 ordinary shares of the Company issued on 15 September 2020 under the capitalisation issue were treated as if they had been issued since 1 April 2019; and
- (iii) the 312,500,000 ordinary shares offered to the public were issued on 15 September 2020.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

	Six months ended 30 September 2020 (unaudited)	Six months ended 30 September 2019 (unaudited)
Net profit attributable to the owners of the Company (HK\$'000)	<b>27,140</b>	24,534
Weighted average number of ordinary shares in issue (in thousand)	<b>964,822</b>	937,500
Basic earnings per share (in HK cents)	<b>2.8</b>	2.6

## (b) Diluted earnings per share

Diluted earnings per share for the period ended 30 September 2020 and 2019 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 2020, the Board has resolved not to declare any interim dividend (the six months ended 30 September 2019: Nil).

## 11 TRADE RECEIVABLES

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Trade receivables are denominated in the following currencies: US\$	<b>101,041</b>	34,211

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

Up to 3 months	<b>94,631</b>	34,211
Over 3 months	<b>6,410</b>	–
	<b>101,041</b>	34,211

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 12 TRADE PAYABLES

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Trade payables are denominated in the following currencies:		
Japanese Yen	41	–
US\$	2,378	243
HK\$	6,126	2,890
RMB	68,166	40,918
	<b>76,711</b>	44,051

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

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Within 1 month	34,146	17,240
1–2 months	15,997	6,091
2–3 months	22,133	4,122
Over 3 months	4,435	16,598
	<b>76,711</b>	44,051



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 13 SHARE CAPITAL

	As at 30 September 2020		As at 31 March 2020	
	Number of shares	Nominal value HK\$	Number of shares	Nominal value HK\$
	(Unaudited)		(audited)	
Authorised:				
Ordinary shares of HK\$0.01 each as at the end of the period/year	<b>10,000,000,000</b>	100,000,000	<b>38,000,000</b>	380,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each as at the beginning of the period/year	<b>2</b>	–	–	–
Issuance of ordinary shares at the date of incorporation	–	–	<b>2</b>	–
Issuance of ordinary shares upon capitalisation issue (Note (i))	<b>937,499,998</b>	9,375,000	–	–
Issuance of ordinary shares upon initial public offering (Note (ii))	<b>312,500,000</b>	3,125,000	–	–
	<b>1,250,000,000</b>	12,500,000	<b>2</b>	–

Notes:

- (i) On 15 September 2020, an amount of HK\$9,375,000 was capitalised from share premium to share capital of the Company.
- (ii) On 15 September 2020, 312,500,000 ordinary shares of HK\$0.01 each were issued at an offer price of HK\$0.40 per share for a total consideration of HK\$125,000,000 with HK\$89,131,000 credited to the share premium account of the Company, after taking into account of the issuance costs.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 15 September 2020 (the “**Listing**”). Based on the offer price of HK\$0.40 per offer share and a total of 312,500,000 offer shares, the net proceeds from the global offering (the “**Global Offering**”) after deduction of the underwriting fees and commissions and expenses payable by the Company in connection with the Global Offering, were approximately HK\$66.2 million.

## BUSINESS REVIEW

In terms of the orders which the Group has known so far, the turnover for 1H2021 increased by approximately 4.1% as compared to that for 1H2020, mainly due to the increase in orders from Customer M (as defined in the prospectus of the Company dated 31 August 2020 (the “**Prospectus**”), in which the beauty care devices sold to our customers during the Reporting Period had satisfactory market response. It has also evidenced that the Company is going towards the right direction pursuing quality and high-end products.

During the Reporting Period, save as disclosed in the Prospectus, the Group has not experienced additional impact on or major change to our business and operation due to COVID-19 pandemic and the Sino-US trade war.

However, since the COVID-19 pandemic is still trespassing on the world when the Sino-US trade war continues, the prospect is not optimistic. In particular, during the Reporting Period, approximately 43.3% of the Group’s sales turnover is related to exports to the United States. If the United States increases tariffs on PRC exported goods significantly, the Group’s turnover will be undoubtedly affected. Therefore, apart from reinforcing its existing partnership, the Group has to actively seek overseas partners for non-PRC made products.

## PROSPECTS

The Group will continue to focus on its core business, so as to further enhance its presence and expand its market share in the global personal care and lifestyle electrical appliance industry. As disclosed in the Prospectus, the Group plans to (i) enhance its production capacity by acquiring new and replacing some of its plastic injection moulding machines; and (ii) increase the level of automation of the Group’s production lines, including spray painting and assembly lines.

The Group will continue to strengthen its research and development capabilities and commit to quality assurance on its products to maintain and enhance its market position. By means of improving product design and its engineering centre, investing more resources in enhancing the construction as well as the research and development capabilities of its technical team to provide its customers with unique selling points and innovative products, so as to increase the turnover from its existing customers. Meanwhile, the Company has to carry out comprehensive technological transformation in a planned manner by using automatic and semi-automatic equipment as much as possible, adopting new processes and technologies in order to further reduce costs and maximize the value to its shareholders for their trust upon the Company.

The Group also targets to develop new personal care and lifestyle electrical appliance products with its own brand of “**ifit**” to expand its customer base and increase its profitability. The Group is expected to accomplish the technical appraisal for smart toilet seats, complete the manufacturing of moulds and establish a domestic marketing team to actively search for sales partners and get well-prepared for the domestic sales of smart toilet seats under the Group’s self-owned brand expecting to be launched in financial year of 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

The total revenue of the Group increased by approximately HK\$8.0 million (approximately 4.1%) from approximately HK\$193.2 million for 1H2020 to approximately HK\$201.2 million for 1H2021. Such increase was mainly attributable to the increase in the sales of the beauty care series of the personal care electrical appliances.

### Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$5.5 million (approximately 9.7%) to approximately HK\$62.4 million for the 1H2021 (1H2020: approximately HK\$56.9 million). The increase was attributable to the increase in revenue, particularly in the beauty care series of the personal care electrical appliances. The gross profit margin increased to 31.0% for the Reporting Period (1H2020: 29.5%) which was mainly attributable to increase in the profit margin of the hair styling series of the personal care electrical appliances.

### Administrative expenses

The administrative expenses of the Group decreased by approximately HK\$1.6 million (approximately 7.0%) to approximately HK\$21.2 million for 1H2021 (1H2020: approximately HK\$22.8 million). Such decrease was due to the Listing expenses of approximately HK\$7.0 million recorded for 1H2021 when compared to approximately HK\$8.7 million recorded for 1H2020.

### Finance costs

The Group's finance costs represented interest on bank borrowings. The Group recorded finance costs of approximately HK\$48,000 during the Reporting Period (1H2020: HK\$162,000).

### Income tax expenses

The Group's income tax expenses decreased by approximately HK\$0.3 million (approximately 3.9%) to approximately HK\$6.8 million for 1H2021 (1H2020: approximately HK\$7.1 million). The effective tax rate of the Group for 1H2021 was approximately 20.1% (1H2020: approximately 22.4%). The lower effective tax rate for 1H2021 compared to 1H2020 was mainly due to the Listing expenses of approximately HK\$7.0 million recorded for the Reporting Period (1H2020: approximately HK\$8.7 million) which is not deductible for tax purposes.

### Net profit

Profit attributable to the equity holders of the Company increased by approximately HK\$2.6 million (approximately 10.6%) from approximately HK\$24.5 million for 1H2020 to approximately HK\$27.1 million for 1H2021. The Group's net profit margin increased from 12.7% to 13.5% during the same periods. Setting aside the Listing expenses of approximately HK\$7.0 million and HK\$8.7 million for 1H2021 and 1H2020 respectively, the adjusted net profit attributable to the equity holders of the Company would have been approximately HK\$34.1 million and approximately HK\$33.2 million respectively, representing an increase of 2.7% as compared to 1H2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND CAPITAL RESOURCES

### Capital Institutions, Liquidity and Financial Resources

During the Reporting Period, the Group has funded the operations primarily with net cash generated from its operations, bank borrowings and the Global Offering, and the funds were primarily used for purchase of raw materials, various operating expenses and capital expenditure. During the Reporting Period, the liquidity of the Group was closely monitored by the Board and the Group reviews its working capital and finance requirements on a regular basis.

#### Liquidity

As at 30 September 2020, the Group maintained cash and bank balances of approximately HK\$140.4 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.

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

As at 30 September 2020, the borrowings of the Group amounted to approximately HK\$3.1 million (as at 31 March 2020: approximately HK\$4.0 million), which were denominated in Hong Kong dollar with a floating interest rate and effective rate per annum of approximately 2.2% as at 30 September 2020 (as at 31 March 2020: approximately 3.7%). The total balance of bank borrowings as at 30 September 2020 were repayable on demand and were secured by (i) a legal charge over an industrial property of the Group held for its own use in Hong Kong with net book value amounted to approximately HK\$4.0 million as at 30 September 2020; (ii) a legal charge over an industrial property of the Group held for earning rental income in Hong Kong with net book value amounted to approximately HK\$0.7 million as at 30 September 2020; (iii) a charge over a deposit by the Group placed with the bank amounted to approximately US\$0.6 million as at 30 September 2020 (equivalent to approximately HK\$5.0 million); and (iv) corporate guarantee by the Company.

As at 30 September 2020, the Group had banking facilities of approximately HK\$52.0 million, of which approximately HK\$48.9 million was unutilised. 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.

As at 30 September 2020, the gearing ratio of the Group was approximately 1.0% (as at 31 March 2020: approximately 2.1%). The gearing ratio was calculated by dividing the Group's interest-bearing borrowing by the 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 RMB are subject to changes in the PRC government's policies and depend on domestic and international economic and political developments, as well as the supply and demand forces of Renminbi in the local market. As the Group is not involved in any currency hedging activities, any fluctuation in the exchange rate or any shortage of foreign currency may have an adverse impact on operating costs and financial condition.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL COMMITMENT

As at 30 September 2020, the Group had capital commitments contracted but not provided for property, plant and equipment amounted to approximately HK\$0.8 million (as at 31 March 2020: approximately HK\$1.5 million).

## CONTINGENT LIABILITIES

As at 30 September 2020, the Group did not have any material contingent liabilities (as at 31 March 2020: nil).

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the Reporting Period, save as disclosed in the Prospectus, 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

Save as disclosed in the Prospectus and this report, the Group did not have other plans for material investments or capital assets as at 30 September 2020. 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 2020, the Group had a total of 765 employees (as at 31 March 2020: 701). 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 the management, engineering, and technical staff are generally determined with reference to the same industry standards and they may be entitled allowance and bonus based on their performance evaluation. The Group conducts employee performance review annually to evaluate and adjust the employees' remuneration. The Group enters into individual employment agreements with the employees, with terms covering, among other things, positions, salaries, working hours, annual leave and other benefits. During the Reporting Period, the Group's total staff costs amounted to approximately HK\$37.3 million (1H2020: approximately HK\$37.3 million).

## EVENTS AFTER THE END OF THE REPORTING PERIOD

Up to the date of this report, no material events occurred after the Reporting Period.


## INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for 1H2021 (1H2020: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the Global Offering were approximately HK\$66.2 million which are intended to be applied in compliance with the intended use of proceeds as set out in the section headed “Future Plans and Use of Proceeds” contained in the Prospectus. During the period from the date of Listing to 30 September 2020, the net proceeds from the Global Offering had been applied as follows:

Business objective as stated in the Prospectus	Percentage of total net proceeds	Planned use of actual net proceeds (Note 1) HK\$ million	Actual use of net proceeds during the period from the date of Listing to 30 September 2020 HK\$ million	Net proceeds unutilised (Note 2) HK\$ million	Estimated timeline for full utilisation of the unutilised net proceeds (Note 3)
Expanding and upgrading the Company's production facilities to enhance the Company's production capabilities	54.5%	36.1	–	36.1	By September 2021
Enhancing the Company's research and engineering capabilities	24.8%	16.4	–	16.4	By March 2022
Introducing new products carrying the Company's “  ” brand	12.9%	8.5	–	8.5	By September 2021
Enhancing the Company's sales and marketing efforts in the global market including the PRC market	3.5%	2.3	–	2.3	By March 2022
Upgrading the Company's information technology system and design-aided software	4.3%	2.9	–	2.9	By September 2021
	100%	66.2	–	66.2	

### Notes:

1. The net proceeds from the Global Offering, after deduction of the underwriting fees and expenses paid by the Company in connection with the Global Offering were approximately HK\$66.2 million. The Company has allocated the difference between the estimated and actual net proceeds to each business objective in the same proportion as the original funds applied as shown in the Prospectus.
2. As at 30 September 2020, net proceeds not yet utilised were deposited with certain licensed banks in Hong Kong.
3. 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.
4. Details of the Global Offering, including its terms, prices, structure and other relevant information are set out in the Prospectus.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

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

So far as the Directors are aware, as at 30 September 2020, the interests and short positions of the Directors and chief executive of the Company in the equity 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 of 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)	37.5%

Notes:

1. The letter “L” denotes the person’s long position in the shares of the Company (the “Shares”).
2. As at 30 September 2020, Ace Champion Inc. (“Ace Champion”) was legally and beneficially owned by Mr. Li Shu Yeh as to 100%. Mr. Li Shu Yeh was deemed to be interested in the Shares in which Ace Champion was interested (through its shareholding in the Company) pursuant to Part XV of the SFO.
3. Ace Champion, a limited liability company incorporated in the British Virgin Islands, was the legal and beneficial owner of 468,750,000 Shares, representing approximately 37.5% of the issued share capital of the Company as at 30 September 2020.

Save as disclosed above and so far as the Directors are aware, as at 30 September 2020, 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.



# CORPORATE GOVERNANCE AND OTHER INFORMATION

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

So far as the Directors are aware, as at 30 September 2020, the following persons not being a Director or chief executive of the Company had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholder	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)	37.5%
Forever Golden (Note 3)	Beneficial owner	468,750,000 Shares (L)	37.5%
Ms. Sit Hor Wan (Note 4)	Interest in controlled corporation	468,750,000 Shares (L)	37.5%
Ms. Chan Pan Pan (Note 5)	Interest of spouse	468,750,000 Shares (L)	37.5%
Mr. Loo Kin Kuen Stephen (Note 6)	Interest of spouse	468,750,000 Shares (L)	37.5%

### Notes:

- The letter "L" denotes the person's long position in the Shares.
- Ace Champion, a limited liability company incorporated in the British Virgin Islands, was the legal and beneficial owner of 468,750,000 Shares, representing approximately 37.5% of the issued share capital of the Company as at 30 September 2020.
- Forever Golden Inc. ("**Forever Golden**"), a limited liability company incorporated in the British Virgin Islands, 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 was deemed to be interested in all the Shares held by Forever Golden by virtue of the SFO.
- Ms. Chan Pan Pan is the spouse of Mr. Li Shu Yeh. Therefore, Ms. Chan Pan Pan deemed to be interested in the Shares in which Mr. Li Shu Yeh is interested under the SFO.
- Mr. Loo Kin Kuen Stephen is the spouse of Ms. Sit Hor Wan. Therefore, Mr. Loo Kin Kuen Stephen deemed to be interested in the Shares in which Ms. Sit Hor Wan is interested under the SFO.

Save as disclosed above and so far as the Directors are aware, as at 30 September 2020, no person (other than members of the Group) had an interest or a short position in Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules from the date of the Listing to 30 September 2020, except as disclosed below.

Code provision A.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, in addition to his duties as our chairman, is also responsible for the corporate strategic planning and overall business development of the Group as the chief executive officer of the Company. Mr. Li Shu Yeh is one of our co-founders and he has extensive experience and knowledge in the business of the Group and his duties for overseeing the Group’s operations are considered to be beneficial to the Group. The Company considers having Mr. Li Shu Yeh acting as both our chairman and chief executive officer will provide strong and consistent leadership to the Group and facilitate the efficient execution of our 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 do 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.

## ADOPTION OF CODE OF CONDUCT REGARDING DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiry to the Directors, all of them confirmed that they had complied with the required standard of dealings as set out in the Model Code from the date of Listing to 30 September 2020.

## 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 the 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 had been granted by the Company under the Share Option Scheme since its adoption and up to 30 September 2020.

## CHANGE IN INFORMATION OF DIRECTORS

There was 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

Except for the new issue of Shares under the Global Offering, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during 1H2021.

## 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 from the date of the Listing to 30 September 2020, 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 at all times from the date of Listing to 30 September 2020.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## FORWARD LOOKING STATEMENTS

There can be no assurance that any forward-looking statements regarding the Group set out in this report 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 REPORT

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.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 interim condensed consolidated financial information of the Group for the Reporting Period has been reviewed by the Audit Committee who considered that the unaudited interim condensed consolidated financial statements comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

## APPRECIATION

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

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

Hong Kong, 26 November 2020



**FOURACE INDUSTRIES GROUP HOLDINGS LIMITED**  
**科利實業控股集團有限公司**