

HISTORY, DEVELOPMENT AND REORGANISATION

OVERVIEW

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 28 September 2017. Pursuant to the Reorganisation as more particularly described in the paragraph headed “Reorganisation” in this section, our Company has become the holding company of our Group for the purpose of the Listing and holds the entire interest of six subsidiaries, namely, Town Ray Investments (BVI), Town Ray Development, Town Ray Enterprises, Tunbow Group, Town Ray Hong Kong and Town Ray (Huizhou).

OUR BUSINESS DEVELOPMENT

Prior to forming our Group, Dr. Chan and Ms. Cheng had accumulated years of experience in the household appliances industry. Dr. Chan started to engage in the business of exporting plastic materials and electronic products in 1991 by incorporating Town Ray International Limited (“**Town Ray International**”). In 1995, Dr. Chan and Ms. Cheng tapped into the business of manufacturing ODM household appliances through the establishment of Dongbaoli Electrical (Shenzhen) Co., Ltd. (東保利電業(深圳)有限公司) (“**Dongbaoli (Shenzhen)**”) with Tunbow Electrical Limited as its trading arms. For details of Dr. Chan’s and Ms. Cheng’s background and experience, please refer to the section headed “Directors and senior management” in this prospectus.

Town Ray International ceased to export plastic materials and electronic products in 1998. Prior to the disposal of Town Ray International, it was an investment holding company. For the purpose of streamlining the corporate structure, Town Ray International was disposed to an individual (the “**Purchaser**”), an independent third party, in 2015 at a consideration of approximately RMB1.2 million, which was the mutually agreed cost of the asset held by Town Ray International based on arm’s length negotiation with the Purchaser. Our Directors confirm that save for acquiring Town Ray International, the Purchaser did not and do not have any past or present relationship (business, financing or otherwise) with our Group, Controlling Shareholders, Directors, senior management or any of their respective associates, and our Group has had no transaction with Town Ray International since such disposal to the Purchaser and up to the Latest Practicable Date.

Dongbaoli (Shenzhen) was wholly-owned by Tunbow Electrical Limited since its establishment until 2004. Since then, Dongbaoli (Shenzhen) has been owned as to 89% and 11% by Tunbow Electrical Limited and Tunbow Industries Limited, respectively, both of which have in turn been controlled by Dr. Chan and Ms. Cheng. Both were also trading arms of Dongbaoli (Shenzhen). Tunbow Electrical Limited and Tunbow Industries Limited are currently investment holding companies with no other business operation. They do not have any direct or indirect competition with the business of our Group.

The history of our Group can be traced back to 2005 when Dr. Chan, Ms. Cheng together with other business partners established Tunbow (Huizhou). At that time, we utilised the manufacturing facilities of Dongbaoli (Shenzhen) located in Shenzhen. We moved into our production facilities in Huizhou from 2011 to 2013. Since then, Dongbaoli (Shenzhen) had been engaged in the business of property investment, being one of the property investment companies controlled by our Controlling Shareholders. As such, Dongbaoli (Shenzhen) had no other business operation and had no customer or supplier in relation to the business of manufacturing household appliances during the Track Record Period and up to the Latest Practicable Date. Dongbaoli (Shenzhen) did not form part of our Group during the Track Record Period and up to the Latest Practicable Date, and will not form part of our Group after the Listing.

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Being endeavour to become an advanced product developer and industrial designer of household appliances, we devote substantial effort to the design and development of products. In 2006, we successfully designed the first generation of our fully automatic coffee machine. Our Group endeavours to enhance technology development to provide quality products to our customers and we launched the second and third generations of our fully automatic coffee machine in 2010 and 2016, respectively.

Throughout the years, our Group has expanded its business in terms of our production capacity, product range and production processes. During the Track Record Period, we sold our products to over 30 countries and regions and our product offerings covered different types of (i) garment care appliances, including steam generator irons, garment steamers and steam irons; and (ii) cooking appliances, including coffee machines, food steamers, baby food makers, soup makers and milk bottle warmers.

We place emphasis on quality control and management. In October 2018, Tunbow Group was accredited with ISO9001:2015 in sales and marketing of small electrical appliances for household use and electronic consumer products and Town Ray (Huizhou) was accredited with ISO9001:2015 in design and manufacturing of small electrical appliances for household use, and manufacturing of electronic consumer products.

Apart from engaging in the business of our Group, Dr. Chan and Ms. Cheng also engage in property holding and investment activities through a number of companies controlled by them and these companies will not form part of our Group after the Listing. As our Group is positioned to focus on the business of manufacturing and sale of electrothermic household appliances, the property holding and investment business of Dr. Chan and Ms. Cheng was not injected into our Group.

Prior to the Reorganisation, Tunbow (Huizhou) operated the design, manufacture and sale of household appliances business and also owns two parcels of land in Huizhou of an aggregate area of approximately 81,926 sq.m. (the “**Land No. 1**” and the “**Land No. 2**”, collectively the “**Huizhou Land Parcels**”), and an industrial building complex erected on Land No. 1 with a gross floor area of approximately 85,036.1 sq.m. (the “**Huizhou Properties**”), on which our production facilities are occupying approximately 73,650.04 sq.m. Approximately 75% of Land No. 2 has not been developed.

In between the Huizhou Land Parcels, our Controlling Shareholders also own another parcel of land (the “**Land No. 3**”) through one of their companies. Tunbow (Huizhou) will carry out property investment after completion of the Business Transfer, which is similar to other property investment companies controlled by our Controlling Shareholders. In view of the distinct business nature and the clear delineation between the electrothermic household appliances manufacturing business of our Group and the property investment business of our Controlling Shareholders, and the advantages of managing Huizhou Land Parcels and Land No. 3, being the three parcels of adjacent lands as a whole by the excluded companies owned by our Controlling Shareholders, as part of the Reorganisation, Town Ray (Huizhou) was established in 2017 and Tunbow (Huizhou) transferred its design, manufacture and sale of household appliances business to Town Ray (Huizhou) in 2018.

Our Directors are of the view that our Group and our management team can focus our attention and financial resources, including the net proceeds from the Share Offer, in developing and realising the full potential of our core business by upgrading our production facilities or acquiring new production facilities, instead of further developing the Land No. 2 given that approximately 75% of Land No. 2 has not been developed, and high development costs are expected to be incurred.

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In light of the considerable amount of tax, such as land appreciation tax and profit tax that would be incurred for the transfer of Tunbow (Huizhou), the Huizhou Land Parcels and the Huizhou Properties, our Directors consider that it would be more commercially justifiable to conduct the Business Transfer, rather than incurring tax for the transfer of Tunbow (Huizhou), the Huizhou Land Parcels and the Huizhou Properties from the excluded companies owned by our Controlling Shareholders to our Group. Also, the exclusion of Tunbow (Huizhou) and the Huizhou Properties will not affect the use of the Huizhou Properties as our production facilities, as since 1 October 2018, Town Ray (Huizhou) has rented part of the Huizhou Properties from Tunbow (Huizhou) at market rent for use as our production facilities. Therefore, our Directors are of the view that it would be commercially justifiable not to include Tunbow (Huizhou) and the Huizhou Properties in our Group.

As advised by our PRC Legal Advisers and as confirmed by our Directors, Tunbow (Huizhou) did not have any material regulatory non-compliance during the Track Record Period. Our Directors further confirm that Tunbow Electrical (BVI) Limited, the holding company of Tunbow (Huizhou), has been an investment holding company since its incorporation and did not have any material regulatory non-compliance during the Track Record Period.

For details of the Business Transfer, please refer to the paragraph headed “Reorganisation” in this section.

Major business milestones

The following table sets forth a summary of the major business milestones in our Group’s business development:

Year	Event
2005	<ul style="list-style-type: none"> Dr. Chan, Ms. Cheng together with other business partners established Tunbow (Huizhou).
2006	<ul style="list-style-type: none"> We designed the first generation of our fully automatic coffee machine.
2010	<ul style="list-style-type: none"> We launched the second generation of our fully automatic coffee machine.
2011–2013	<ul style="list-style-type: none"> We moved into our manufacturing facilities in Huizhou.
2012	<ul style="list-style-type: none"> We were granted a patent (patent number: ZL200910174566.5) in the PRC on the core brewing technology for the second generation of our fully automatic coffee machine.
2014	<ul style="list-style-type: none"> We were granted a patent (patent number: ZL201420177619.5) in the PRC on the electric steam technology for our steam iron.
2016	<ul style="list-style-type: none"> We launched the third generation of our fully automatic coffee machine.
2017	<ul style="list-style-type: none"> We were granted a patent (patent number: ZL201510053719.6) in the PRC on the water filling technology for our steam iron.

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Year	Event
2018	<ul style="list-style-type: none"> ● The testing laboratory of Town Ray (Huizhou) was appointed as a suitable customer's testing facility stage 1 by TÜV Rheinland. ● The testing laboratory of Town Ray (Huizhou) was accredited with a certificate of approval for customer's testing facility stage 1 by DEKRA Certification B.V.. ● Tunbow Group was accredited with ISO9001:2015 in sales and marketing of small electrical appliances for household use and electronic consumer products. ● Town Ray (Huizhou) was accredited with ISO9001:2015 in design and manufacturing of small electrical appliances of household use, and manufacturing of electronic consumer products. ● As part of the Reorganisation, Town Ray (Huizhou) was established in 2017 and Tunbow (Huizhou) transferred its design, manufacture and sale of electrothermic household appliances business to Town Ray (Huizhou) in 2018.

OUR CORPORATE DEVELOPMENT

The following is a brief corporate history of the establishment and major changes in shareholdings of our Group's subsidiaries.

Town Ray Investments (BVI)

Town Ray Investments (BVI) was incorporated in BVI with limited liability on 27 September 2017. It is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US\$1.00 each. It is an investment holding company.

On 13 October 2017, Town Ray Investments (BVI) allotted and issued one share with a par value of US\$1.00 as fully paid to our Company and the entire issued share capital of Town Ray Investments (BVI) became wholly owned by our Company.

Town Ray Development

Town Ray Development was incorporated in BVI with limited liability on 27 September 2017. It is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US\$1.00 each. It is an investment holding company.

On 13 October 2017, Town Ray Development allotted and issued one share with a par value of US\$1.00 as fully paid to Town Ray Investments (BVI) and the entire issued share capital of Town Ray Development became wholly owned by Town Ray Investments (BVI).

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Town Ray Enterprises

Town Ray Enterprises was incorporated in BVI with limited liability on 27 September 2017. It is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US\$1.00 each. It is an investment holding company.

On 13 October 2017, Town Ray Enterprises allotted and issued one share with a par value of US\$1.00 as fully paid to Town Ray Investments (BVI) and the entire issued share capital of Town Ray Enterprises became wholly owned by Town Ray Investments (BVI).

Town Ray Hong Kong

Town Ray Hong Kong was incorporated in Hong Kong with limited liability on 19 October 2017. It is an investment holding company.

On the date of its incorporation, Town Ray Hong Kong allotted and issued one ordinary share as fully paid to Town Ray Enterprises and the entire issued share capital of Town Ray Hong Kong of HK\$1.00 became wholly owned by Town Ray Enterprises.

Tunbow Group

Tunbow Group was incorporated in Hong Kong with limited liability on 21 November 2007. It engages in the trading of electrothermic household appliances.

On the date of its incorporation, Tunbow Group allotted and issued 10,000,000 subscriber shares of HK\$1.00 per share as fully paid to Tunbow Investments (BVI) and the entire issued share capital of Tunbow Group became wholly-owned by Tunbow Investments (BVI).

As part of the Reorganisation, Tunbow Group became a wholly-owned subsidiary of Town Ray Development.

Town Ray (Huizhou)

On 14 December 2017, Town Ray (Huizhou) was established under the laws of the PRC as a wholly foreign-owned enterprise. It engages in design, manufacture and sale of household appliances.

As at the date of its establishment, it had a registered capital of HK\$30,000,000. The entire equity interest of Town Ray (Huizhou) became wholly-owned by Town Ray Hong Kong.

REORGANISATION

Our Group underwent the Reorganisation in preparation for the Listing, which involved the following steps:

1. Incorporation of our Company

On 28 September 2017, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of its incorporation, it had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each.

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On the date of its incorporation, our Company allotted and issued one subscriber Share as fully paid to an initial subscriber, an independent third party. On the same day, the nominee subscriber as transferor executed an instrument of transfer in favour of Tunbow Investments (BVI) as transferee, pursuant to which the nominee subscriber transferred the one subscriber Share, representing the entire issued share capital of our Company, to Tunbow Investments (BVI) for a consideration of HK\$0.01.

On 28 September 2017, our Company allotted and issued 10,174 Shares as fully paid to Tunbow Investments (BVI). Tunbow Investments (BVI) then held 10,175 Shares, representing the entire issued share capital of our Company.

On 9 October 2017, our Company allotted and issued 17 Shares, 119 Shares, 153 Shares, 153 Shares, 187 Shares, 187 Shares and 187 Shares as fully paid to Innoinvest Limited, Mr. Lee Pak Man, Mr. Poon Ching Ching, Kelvin, Mr. Chiu, Mr. Chan, Ms. Tang and Mr. Yu, respectively. After such allotment, our Company was owned as to 91.03% by Tunbow Investments (BVI), 0.15% by Innoinvest Limited, 1.07% by Mr. Lee Pak Man, 1.37% by Mr. Poon Ching Ching, Kelvin, 1.37% by Mr. Chiu, 1.67% by Mr. Chan, 1.67% by Ms. Tang and 1.67% by Mr. Yu, respectively.

2. Incorporation of Town Ray Investments (BVI)

On 27 September 2017, Town Ray Investments (BVI) was incorporated in BVI with limited liability. It is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US\$1.00 each. On 13 October 2017, Town Ray Investments (BVI) allotted and issued one share with a par value of US\$1.00 as fully paid to our Company and the entire issued share capital of Town Ray Investments (BVI) became wholly-owned by our Company.

3. Incorporation of Town Ray Development

On 27 September 2017, Town Ray Development was incorporated in BVI with limited liability. It is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US\$1.00 each. On 13 October 2017, Town Ray Development allotted and issued one share with a par value of US\$1.00 as fully paid to Town Ray Investments (BVI) and the entire issued share capital of Town Ray Development became wholly-owned by Town Ray Investments (BVI).

4. Incorporation of Town Ray Enterprises

On 27 September 2017, Town Ray Enterprises was incorporated in BVI with limited liability. It is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US\$1.00 each. On 13 October 2017, Town Ray Enterprises allotted and issued one share with a par value of US\$1.00 as fully paid to Town Ray Investments (BVI) and the entire issued share capital of Town Ray Enterprises became wholly-owned by Town Ray Investments (BVI).

5. Incorporation of Town Ray Hong Kong

On 19 October 2017, Town Ray Hong Kong was incorporated in Hong Kong with limited liability. On the date of its incorporation, Town Ray Hong Kong allotted and issued one ordinary share as fully paid to Town Ray Enterprises and the entire issued share capital of Town Ray Hong Kong became wholly-owned by Town Ray Enterprises.

6. Incorporation of Town Ray (Huizhou)

On 14 December 2017, Town Ray (Huizhou) was established under the laws of the PRC as a wholly foreign-owned enterprise. As at the date of its establishment, it had a registered capital of HK\$30,000,000. The entire equity interest of Town Ray (Huizhou) became wholly-owned by Town Ray Hong Kong.

7. Acquisition of Tunbow Group by Town Ray Development

Immediately before the Reorganisation, Tunbow Investments (BVI) held 10,000,000 ordinary shares in Tunbow Group, representing the entire issued share capital of Tunbow Group.

On 28 December 2017, Tunbow Investments (BVI) entered into a sale and purchase agreement with Town Ray Development and executed the relevant instrument of transfer and bought and sold notes on 31 December 2017, pursuant to which Town Ray Development purchased 10,000,000 ordinary shares in Tunbow Group from Tunbow Investments (BVI), at a nominal consideration of HK\$1.00.

Upon completion of the above transaction, Tunbow Group became a wholly-owned subsidiary of Town Ray Development.

8. Transfer of the design, manufacture and sale of household appliances business from Tunbow (Huizhou) to Town Ray (Huizhou)

On 21 August 2018, Tunbow (Huizhou) and Town Ray (Huizhou) entered into a business transfer agreement, pursuant to which Tunbow (Huizhou) agreed to transfer its design, manufacture and sale of household appliances business including, amongst others, its customers, suppliers and information relating to its customers and suppliers, to Town Ray (Huizhou).

The Business Transfer was completed on 31 December 2018. The total consideration for the Business Transfer was RMB1.00.

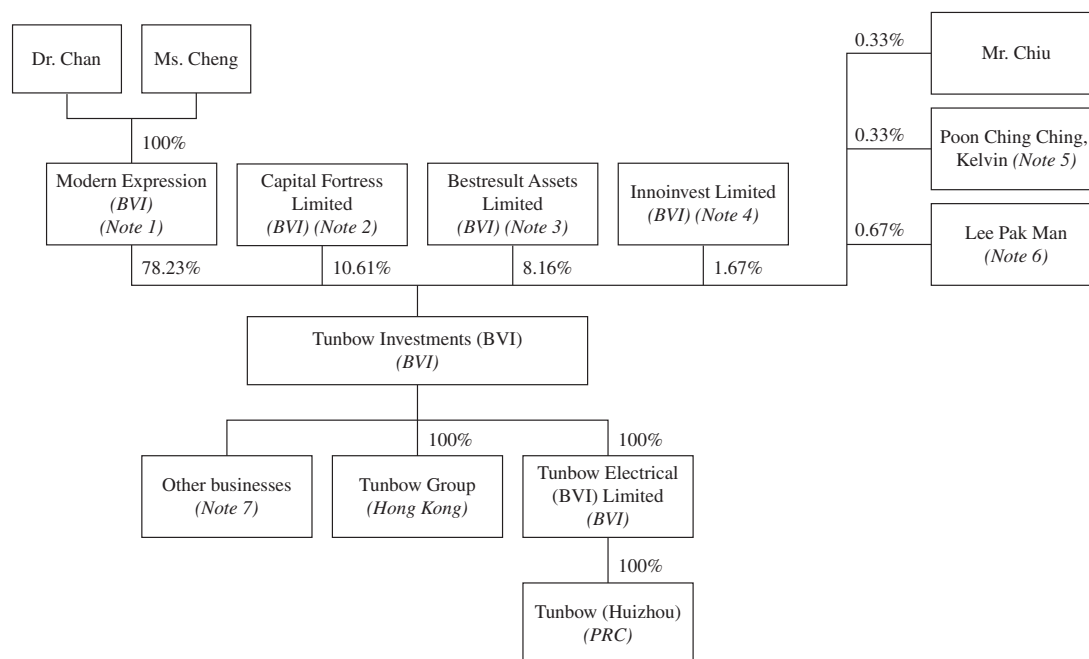
9. Tunbow Investments (BVI) distribution

As part of the Reorganisation, on 30 September 2019, the shareholders of Tunbow Investments (BVI) resolved to distribute the entire shareholding held by Tunbow Investments (BVI) in our Company (representing 91.03% of the then total issued share capital of our Company) to the shareholders of Tunbow Investments (BVI) by way of ordinary distribution in specie in proportion to their respective shareholding interests in Tunbow Investments (BVI). Immediately after such ordinary distribution in specie but prior to the completion of the Capitalisation Issue and the Share Offer, Modern Expression (a company wholly-owned by Dr. Chan and Ms. Cheng jointly), Capital Fortress Limited (a company wholly-owned by Mr. Leung Yat Cheong, Albert), Bestresult Assets Limited (a company wholly-owned by Ms. Li Siu Lan), Innoinvest Limited (a company wholly-owned by Mr. Chu Ming Tak), Mr. Lee Pak Man, Mr. Poon Ching Ching, Kelvin, Mr. Chiu, Mr. Chan, Ms. Tang and Mr. Yu will hold approximately 71.21%, 9.65%, 7.43%, 1.67%, 1.67%, 1.67%, 1.67%, 1.67% and 1.67% of the issued share capital of our Company, respectively.

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CORPORATE STRUCTURE

The following chart sets forth the shareholding and corporate structure of our Group immediately before the Reorganisation:

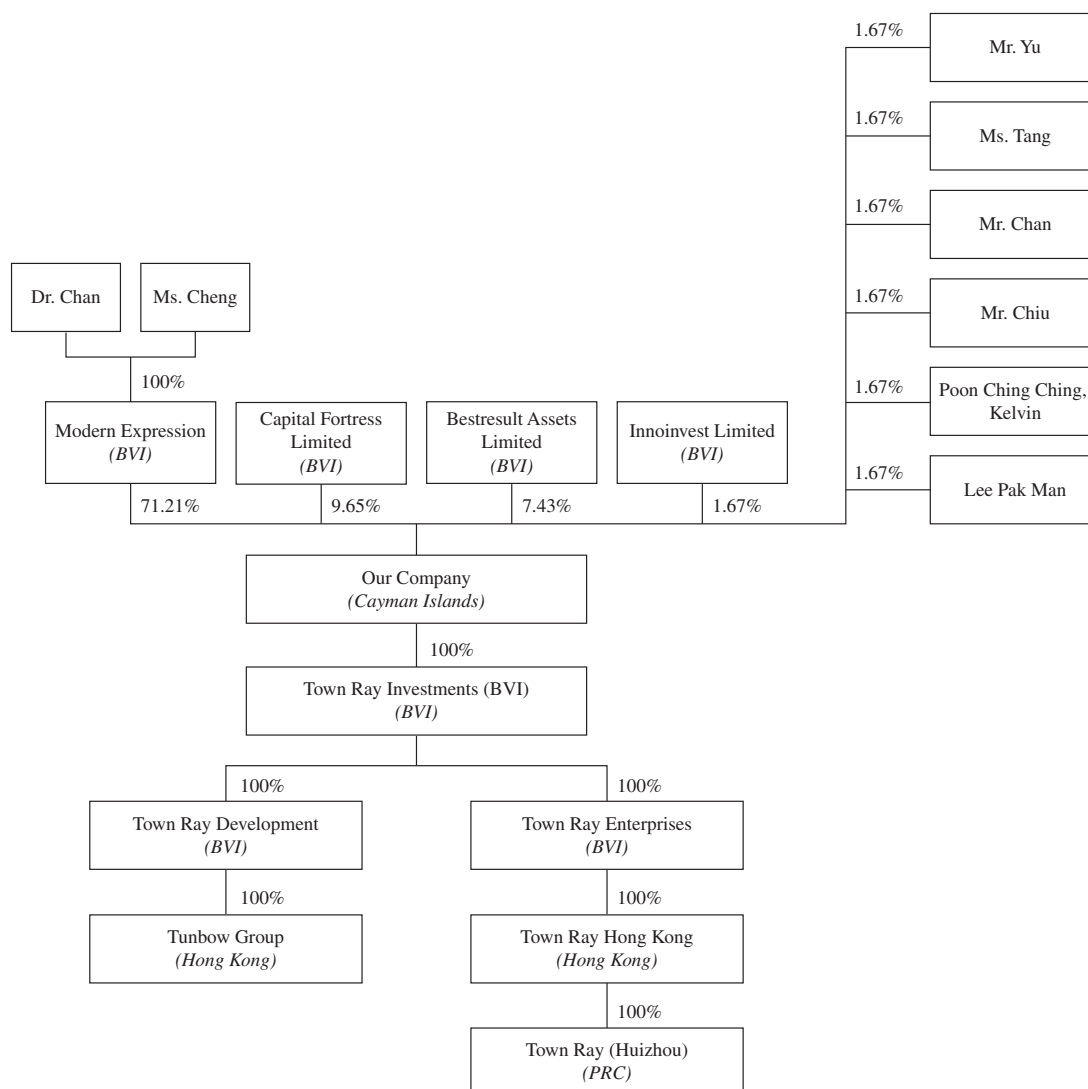


Notes:

1. Modern Expression is wholly-owned by Dr. Chan and Ms. Cheng jointly. Dr. Chan and Ms. Cheng are spouses.
2. Capital Fortress Limited is wholly-owned by Mr. Leung Yat Cheong, Albert, the legal representative of Town Ray (Huizhou) and a member of our senior management.
3. Bestresult Assets Limited is wholly-owned by Ms. Li Siu Lan, a director of Tunbow Group.
4. Innoinvest Limited is wholly-owned by Mr. Chu Ming Tak, a member of our senior management.
5. Mr. Poon Ching Ching, Kelvin is a member of our senior management.
6. Mr. Lee Pak Man is a member of our senior management.
7. Other than holding the interest of our Group, our Controlling Shareholders indirectly hold companies engaging in investment holding and property investment businesses through Tunbow Investments (BVI), the details of which are set out in the section headed "Relationship with our Controlling Shareholders — Background of our Controlling Shareholders" in this prospectus.

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The following chart sets forth the shareholding and corporate structure of our Group immediately after the completion of the Reorganisation but before the Capitalisation Issue and the Share Offer:



Capitalisation Issue

Conditional upon the crediting of our Company's share premium account as a result of the issue of the Offer Shares pursuant to the Listing, our Directors are authorised to capitalise an amount of HK\$2,999,888.22 standing to the credit of the share premium account of our Company by applying such sum to pay up in full at par a total of 299,988,822 Shares for allotment and issue immediately prior to the Share Offer, to Modern Expression, Capital Fortress Limited, Bestresult Assets Limited, Innoinvest Limited, Mr. Lee Pak Man, Mr. Poon Ching Ching, Kelvin, Mr. Chiu, Mr. Chan, Ms. Tang and Mr. Yu, in proportion (as nearly as possible without involving fractions and odd lots) to their then respective shareholding percentage in our Company, so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by them, will constitute 75% of the issued share capital of our Company immediately after completion of the Capitalisation Issue and the Share Offer.

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The following chart sets forth the shareholding and corporate structure of our Group immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued upon the exercise of the Over-allotment Option and any option that may be granted under the Share Option Scheme):

