Town Ray Holdings Limited
登輝控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1692)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately HK$136.7 million or approximately 36.6% from approximately HK$373.5 million for the year ended 31 December 2018 to approximately HK$510.2 million for the year ended 31 December 2019.
- Gross profit increased by approximately 69.5% from approximately HK$105.3 million for the year ended 31 December 2018 to approximately HK$178.5 million for the year ended 31 December 2019.
- Gross profit margin increased from approximately 28.2% for the year ended 31 December 2018 to approximately 35.0% for the year ended 31 December 2019.
- Profit attributable to the equity holders of the Company for the year ended 31 December 2019 increased by approximately HK$22.8 million or 59.9% from approximately HK$38.0 million for the year ended 31 December 2018 to approximately HK$60.8 million for the year ended 31 December 2019. Setting aside the listing expenses, the adjusted net profit for the year ended 31 December 2019 was approximately HK$80.4 million.
- Basic earnings per share was approximately HK19.07 cents for the year ended 31 December 2019 and approximately HK12.68 cents for the year ended 31 December 2018.
- The board has proposed a final dividend of HK10.6 cents per share in respect of the year ended 31 December 2019, which is subject to the approval of the Company's shareholders at the 2020 AGM.

The board (the "**Board**") of directors (the "**Directors**") of Town Ray Holdings Limited (the "**Company**") is pleased to present the consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019, together with the comparative figures for the corresponding year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
REVENUE	*4*	**510,198**	373,462
Cost of sales		**(331,670)**	(268,117)
Gross profit		**178,528**	105,345
Other income and gains, net	*4*	**4,162**	8,202
Selling and distribution expenses		**(9,621)**	(8,691)
General and administrative expenses		**(85,967)**	(57,176)
Other expenses, net		**(2,953)**	(865)
Finance costs		**(3,273)**	(885)
PROFIT BEFORE TAX	*5*	**80,876**	45,930
Income tax expense	*6*	**(20,066)**	(7,891)
PROFIT FOR THE YEAR		**60,810**	38,039
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDINGS OF THE COMPANY	*7*		
Basic and diluted		**HK19.07 cents**	HK12.68 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**60,810**	38,039
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,010)**	(10,260)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**59,800**	27,779

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**29,926**	33,290
Right-of-use assets		**21,906**	30,211
Deposits paid for purchases of items of property, plant and equipment		**640**	593
Rental deposit		**251**	251
Deferred tax assets		**1,582**	2,137
Total non-current assets		**54,305**	66,482
CURRENT ASSETS			
Inventories		**67,511**	43,113
Trade receivables	*9*	**62,935**	79,810
Prepayments, deposits and other receivables		**39,304**	14,872
Due from related companies		**–**	13,765
Cash and cash equivalents		**245,558**	51,857
Total current assets		**415,308**	203,417
CURRENT LIABILITIES			
Trade payables	*10*	**52,600**	39,016
Other payables and accruals		**31,272**	14,248
Due to related companies		**–**	449
Interest-bearing bank borrowings		**43,471**	46,671
Lease liabilities		**11,565**	11,799
Tax payable		**11,276**	2,398
Total current liabilities		**150,184**	114,581
NET CURRENT ASSETS		**265,124**	88,836
TOTAL ASSETS LESS CURRENT LIABILITIES		**319,429**	155,318
NON-CURRENT LIABILITIES			
Lease liabilities		**10,947**	18,450
Deferred tax liabilities		**1,927**	396
Total non-current liabilities		**12,874**	18,846
Net assets		**306,555**	136,472
EQUITY			
Issued capital	*11*	**4,000**	–
Reserves		**302,555**	136,472
Total equity		**306,555**	136,472

NOTES

31 December 2019

1. CORPORATE AND GROUP INFORMATION

Town Ray Holdings Limited is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at 10/F., Block A, Chung Mei Centre, 15 Hing Yip Street, Kwun Tong, Kowloon.

During the year, the Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in the manufacture and sale of electrothermic household appliances.

In preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), a business transfer agreement was entered into between 東保利電業(惠州)有限公司 ("**Tunbow (Huizhou)**") and 登輝電器(惠州)有限公司 ("**Town Ray (Huizhou)**"), pursuant to which the business of manufacture and sale of electrothermic household appliances formerly operated by Tunbow (Huizhou) (the "**PRC Manufacture and Sale Business**") was transferred to Town Ray (Huizhou) and the business transfer (the "**Business Transfer**") was completed on 31 December 2018. As further explained in note 2.1, the results and cash flows of the PRC Manufacture and Sale Business are included in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group since the date when the PRC Manufacture and Sale Business first came under the common control of Tunbow Investments (BVI) (as defined in note 2.1). The assets and liabilities of the PRC Manufacture and Sale Business are included in the consolidated statement of financial position of the Group using the existing book values from Tunbow Investments (BVI)'s perspective. The assets and liabilities which were not transferred, assigned or novated to Town Ray (Huizhou) as at 31 December 2018 were accounted for as a deemed distribution.

The shares of the Company were listed on the Main Board of the Stock Exchange on 25 October 2019 (the "**Listing**").

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company is Modern Expression Limited, a company incorporated in the British Virgin Islands.

2.1 BASIS OF PRESENTATION

Pursuant to the reorganisation of the Company in connection with the Listing (the "**Reorganisation**"), the Company became the holding company of the companies now comprising the Group. The companies now comprising the Group and the PRC Manufacture and Sale Business were under the common control of the controlling shareholder, Tunbow Investments (BVI) Limited ("**Tunbow Investments (BVI)**"), before and after the Reorganisation. Accordingly, the financial statements have been prepared by applying the principles of merger accounting as if the Reorganisation and the Business Transfer had been completed at the beginning of the earliest period presented.

The consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year ended 31 December 2018 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of Tunbow Investments (BVI), where this is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2018 has been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from Tunbow Investments (BVI)'s perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

2.2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 No mandatory effective date yet determined but available for adoption

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of electrothermic household appliances. Information reported to the Group's chief operating decision maker for the purpose of making decisions about resource allocation and performance assessment is focused on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
Europe	**443,200**	308,373
Asia	**36,539**	32,148
United States	**28,172**	28,802
Others	**2,287**	4,139
	510,198	373,462

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**2,096**	1,958
Mainland China	**50,376**	62,136
	52,472	64,094

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

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

	2019	2018
	HK$'000	*HK$'000*
Customer A	**230,907**	55,191
Customer B	**60,203**	37,859
Customer C	**N/A***	57,899
Customer D	**N/A***	45,803

* Nil or less than 10% of revenue

4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers	**510,198**	373,462

Revenue from contracts with customers

(a) Disaggregated revenue information

	2019	2018
	HK$'000	*HK$'000*
Type of goods		
Sale of electrothermic household appliances	**508,260**	362,321
Sale of tooling	**1,938**	11,141
Total revenue from contracts with customers	**510,198**	373,462
Timing of revenue recognition		
Goods transferred at a point in time	**510,198**	373,462

(b) ***Performance obligations***

Information about the Group's performance obligations is summarised below:

Sale of electrothermic household appliances

The performance obligation is satisfied upon delivery of the electrothermic household appliances and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

Sale of tooling

The performance obligation is satisfied upon transfer of control of the tooling and payment is generally due upon achievement of milestone and customer acceptance.

An analysis of other income and gains, net is as follows:

	2019	2018
	HK$'000	*HK$'000*
Other income		
Bank interest income	**1,250**	1,066
Consultancy income	**849**	1,243
Others	**2,055**	1,228
	4,154	3,537
Gains, net		
Fair value gains on structured deposits	**8**	333
Foreign exchange differences, net	**–**	4,332
	8	4,665
	4,162	8,202

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold	**331,670**	268,117
Depreciation of property, plant and equipment*	**8,479**	16,073
Depreciation of right-of-use assets*	**11,155**	1,362
Rental expenses from leases of low-value assets	**19**	18
Foreign exchange differences, net	**2,449**^	(4,332)
Write-down/(reversal of write-down) of inventories to net realisable value*	**(643)**	44
Impairment of trade receivables, net^	**480**	615
Loss on disposal of items of property, plant and equipment, net^	**24**	87
Listing expenses	**19,568**	–

* The cost of inventories sold for the year included depreciation charge of property, plant and equipment of HK$8,263,000 (2018: HK$14,101,000), depreciation charge of right-of-use assets of HK$9,230,000 (2018: HK$373,000) and reversal of write-down of inventories to net realisable value of HK$643,000 (2018: write-down of inventories to net realisable value of HK$44,000).

^ Included in "Other expenses, net" in the consolidated statement of profit or loss.

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2018: Nil) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. No provision for Hong Kong profits tax was made in the prior year as the Group had available tax losses brought forward from prior years to offset the assessable profits generated during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2019	2018
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**9,452**	–
Current — Mainland China		
Charge for the year	**8,483**	4,880
Underprovision in prior years	**20**	–
Deferred	**2,111**	3,011
Total tax charge for the year	**20,066**	7,891

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$60,810,000 (2018: HK$38,039,000), and the weighted average number of ordinary shares of 318,904,110 (2018: 300,000,000) in issue during the year, on the assumption that the Reorganisation and the capitalisation issue had been completed on 1 January 2018.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

8. DIVIDENDS

A dividend of HK$32,229,000 was declared by Tunbow (Huizhou) to the then shareholders during the year ended 31 December 2018.

	2019	2018
	HK$'000	*HK$'000*
Dividend proposed after the end of the reporting period:		
Proposed final — HK10.6 cents (2018: Nil) per ordinary share	**42,400**	–

The proposed final dividend of HK10.6 cents per ordinary share for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**63,959**	80,572
Impairment	**(1,024)**	(762)
	62,935	79,810

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**28,621**	47,998
31 to 90 days	**29,135**	28,830
Over 90 days	**5,179**	2,982
	62,935	79,810

10. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**19,750**	14,997
31 to 90 days	**31,457**	22,155
Over 90 days	**1,393**	1,864
	52,600	39,016

The trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 60 days.

11. SHARE CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
4,000,000,000 (2018: 38,000,000) ordinary shares of HK$0.01 each	**40,000**	380
Issued and fully paid:		
400,000,000 (2018: 11,178) ordinary shares of HK$0.01 each	**4,000**	–

A summary of movements in the Company's authorised and issued share capital is as follows:

	Notes	Number of ordinary shares	Nominal value of ordinary shares
			HK$'000
Authorised:			
At 1 January 2018, at 31 December 2018 and at 1 January 2019		38,000,000	380
Increase in authorised share capital	*(a)*	3,962,000,000	39,620
At 31 December 2019		4,000,000,000	40,000
Issued and fully paid:			
At 1 January 2018, at 31 December 2018 and at 1 January 2019		11,178	–
Capitalisation issue	*(b)*	299,988,822	3,000
Issue of shares under initial public offering	*(c)*	100,000,000	1,000
At 31 December 2019		400,000,000	4,000

(a) On 3 October 2019, the authorised share capital of the Company was increased by HK$39,620,000 by the creation of 3,962,000,000 additional ordinary shares of HK$0.01 each, ranking pari passu in all respects with the existing shares of the Company.

(b) Pursuant to the written resolution of the shareholders of the Company passed on 3 October 2019, 299,988,822 ordinary shares of HK$0.01 each were allotted and issued, credited as fully paid at par, by way of capitalisation from the share premium account to the then shareholders on a pro-rata basis. The allotment and capitalisation issue were conditional upon the share premium account being credited as a result of the issue of shares in connection with the Company's initial public offering as detailed in note (c) below.

(c) In connection with the Company's initial public offering, 100,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$1.30 per share for a total cash consideration, before expenses, of approximately HK$130,000,000. Dealing in the shares of the Company on the Stock Exchange commenced on 25 October 2019.

BUSINESS REVIEW

2019 is an exciting year for the Group. On 25 October 2019 (the "**Listing Date**"), the Company was successfully listed on the Main Board of the Stock Exchange (the "**Listing**"). Entering the capital market would bring more opportunities to the Group in the years onward. Looking ahead, the Group is determined to leverage such opportunities to strengthen its position in the global electrothermic household appliances manufacturing industry.

In 2019, the Group mainly focused on customers in overseas markets. Some of them are reputable and internationally recognised brand companies headquartered in Europe. Thanks to the Group's efforts in the development of its new technology and the new products added in its portfolio, as well as the improvements in its existing products in terms of appearance, dimensions, capabilities, functionalities and production cost, the Group achieved an impressive growth in both revenue and profit for the year ended 31 December 2019.

PROSPECTS

Looking ahead to 2020, the Group expects the year to be challenging. The emerging protectionism in certain countries, the ongoing geopolitical uncertainties, and the outbreak of the coronavirus epidemic (the "**Epidemic**") continues to cloud the global economy in the first quarter of 2020. In February 2020, the PRC government implemented a series of measures to contain the spread of the Epidemic, while businesses and factories in the PRC resumed operations gradually. The Group's production plant in Huizhou followed these measures strictly and resumed its operation in mid-February 2020. The Group will continue to closely monitor the situation and will take all necessary actions to protect the health and safety of its workers, safeguard the adequate supply of raw materials, and ensure timely delivery of products to its customers.

The market demand of medium to high-end electrothermic household appliance is driven by new model of products with advanced technology and innovative features. With the expected growth in consumer purchasing power and increase in health awareness in the Group's target markets, the demand for premium and advanced electrothermic household appliances is expected to increase. As part of its growth strategies, the Group will continue to leverage on its excellent capabilities in research and development to develop new technology and new features. Riding on the Group's strong and sustained customer relationships, the Group will collaborate with them closely to develop new products and value-adding upgrades to existing product lines to cater for consumer demands that can aid customers in market penetration.

To better facilitate its product development, the Group established a research and development centre with a dedicated team based in Hong Kong in 2019. In 2020, the Group will continue to expand the team to advance its thermodynamics technology and the respective product development. Resources will also be allocated to its production facilities upgrades and production capacity expansion to cope with the growing product demand.

Amidst a challenging business environment, the management remains optimistic about the long-term growth of the Group, as there are numerous opportunities in the electrothermic household appliance manufacturing industry. With ongoing research and development, the Group will uphold its advantages in thermodynamics technology, strengthen its product design and development capabilities, increase its product offerings, so as to create new market trends. The Group is confident in its ability to grow and bring long-term, sustainable values to its shareholders.

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by approximately HK$136.7 million or approximately 36.6% from approximately HK$373.5 million for the year ended 31 December 2018 to approximately HK$510.2 million for the year ended 31 December 2019. Such increase was mainly attributable to the increase in the sales of cooking appliances during the year ended 31 December 2019.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased from approximately HK$105.3 million for the year ended 31 December 2018 to approximately HK$178.5 million for the year ended 31 December 2019, representing an increase of approximately 69.5%. The Group's gross profit margin was approximately 28.2% and 35.0% for the years ended 31 December 2018 and 2019, respectively. The gross profit margin of the Group increased by approximately 6.8% by comparing that for the year ended 31 December 2018 against the year ended 31 December 2019. The increase in gross profit margin was primarily attributable to (i) the increase in sales of the products with higher gross profit margin; and (ii) decrease in costs as a result of the depreciation of Renminbi against Hong Kong dollars.

Other Income and Gains

Other income decreased from approximately HK$8.2 million for the year ended 31 December 2018 to approximately HK$4.2 million for the year ended 31 December 2019. Such decrease was mainly due to the Group had the exchange gain of approximately HK$4.3 million for the year ended 31 December 2018, while the Group incurred exchange loss of approximately HK$2.4 million which was included in "Other expenses, net" for the year ended 31 December 2019.

General and Administrative Expenses

General and administrative expenses increased from approximately HK$57.2 million for year ended 31 December 2018 to approximately HK$86.0 million for the year ended 31 December 2019. Such increases were due to the Listing expenses of approximately HK$19.6 million recorded for the year ended 31 December 2019 and also due to the increase of approximately HK$8.8 million in the staff costs and director remuneration for the year ended 31 December 2019.

Finance Costs

Finance costs increased from approximately HK$0.9 million for the year ended 31 December 2018 to approximately HK$3.3 million for the year ended 31 December 2019. Such increase was due to the increase of approximately HK$1.4 million in interest on lease liabilities and approximately HK$1.0 million in interest on bank loans for the year ended 31 December 2019 for operation.

Income Tax Expenses

The income tax expenses increased by approximately HK$12.2 million, representing an increase of approximately 154.3%, from approximately HK$7.9 million for the year ended 31 December 2018 to approximately HK$20.1 million for the year ended 31 December 2019. The increase was primarily attributable to increase in revenue and gross margin. The effective tax rate was approximately 17.2% and 24.8% for the years ended 31 December 2018 and 2019, respectively. The increase of approximately 7.6% was mainly due to the increase in the non-deductible tax item of Listing expenses.

Net Profit and Adjusted Net Profit

As a result of the foregoing, the profit for the year of our Group increased by approximately HK$22.8 million, or approximately 59.9%, from approximately HK$38.0 million for the year ended 31 December 2018 to approximately HK$60.8 million for the year ended 31 December 2019. Setting aside the Listing expenses amounted to approximately HK$19.6 million for the year ended 31 December 2019, the Group's adjusted net profit for the year ended 31 December 2019 was approximately HK$80.4 million, as compared to approximately HK$38.0 million for the year ended 31 December 2018. The adjusted net profit margin (excluding the Listing expenses) for the years ended 31 December 2018 and 2019 were approximately 10.2% and 15.8%, respectively, representing an increase of approximately 5.6%.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Company was incorporated in the Cayman Islands on 28 September 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Group completed the group reorganisation on 30 September 2019 (the "**Reorganisation**") in preparation for the Listing of the shares on the Stock Exchange pursuant to which the Company became the holding company of the Group. For further information in relation to the Reorganisation, please refer to the section headed "History, development and Reorganisation" in the prospectus of the Company dated 15 October 2019 (the "**Prospectus**"). Apart from the Reorganisation, there were no material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2019.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group has capital commitments in respect of purchase of furniture, fixtures and equipment and moulds, which had been contracted but not provided for in the consolidated financial statements, in the total amount of approximately HK$1.4 million, of which approximately HK$1.2 million will be settled through the net proceeds (the "**Net Proceeds**") raised from the share offer of the Company (the "**Share offer**").

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities (2018: nil).

FOREIGN EXCHANGE EXPOSURE

The Group's major revenue is principally denominated in United States dollars and the Group's major expenses are denominated in Renminbi. The Group currently does not have a foreign currency hedging policy. As at 31 December 2019, the Group did not have any foreign currency investments which have been hedged by currency borrowing and other hedging instruments. However, the management monitors foreign exchange exposure closely to keep the net exposure to an acceptable level.

GEARING RATIO

As at 31 December 2019, the gearing ratio of the Group (defined as the total of bank borrowings and amounts due to related companies divided by total equity) was approximately 14.2% (2018: approximately 34.5%). Such decrease was mainly due to the increase in total equity of the Group.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has principally funded the liquidity and capital requirements through capital contributions from the shareholders, bank borrowings and net cash generated from operating activities. As at 31 December 2019, the Group had time deposits and cash and bank balances of approximately HK$245.6 million (2018: approximately HK$51.9 million). The gearing ratio of the Group as at 31 December 2019 was approximately 14.2% (2018: approximately 34.5%). As at 31 December 2019, the current ratio of the Group was approximately 2.8 times (2018: approximately 1.8 times). Such increase was mainly due to the Net Proceeds. The financial resources presently available to the Group include bank borrowings and the Net Proceeds, our Directors believe that the Group have sufficient working capital for our future requirements.

On the date of incorporation of the Company, the Company had an issued share capital of HK$0.01 divided into one share. On 28 September 2017, the Company allotted and issued 10,174 shares and on 9 October 2017, the Company further allotted and issued 1,003 shares. On 3 October 2019, the authorised issued share capital of the Company increased from HK$380,000 divided into 38,000,000 shares to HK$40,000,000 divided into 4,000,000,000 shares. On 24 October 2019, 100,000,000 shares were allotted and issued under the Share Offer (as defined in the Prospectus) and immediately prior to the Listing, 299,988,822 shares were allotted and issued pursuant to the Capitalisation Issue (as defined in the Prospectus). Upon the Listing of the Company, the Company had an issued share capital of HK$4,000,000 divided into 400,000,000 shares.

The Company's shares were successfully listed on the Stock Exchange on 25 October 2019. There has been no change in the capital structure of the Group since the date of Listing up to the date of this announcement.

DEBTS AND CHARGE ON ASSETS

The total interest-bearing bank borrowings of the Group amounted to approximately HK$43.5 million as at 31 December 2019 (2018: approximately HK$46.7 million). As at 31 December 2019, no charge was made or subsisting on assets of the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

The followings are some principal risks and uncertainties facing the Group, which may materially adversely affect its business, financial condition or results of operations:

The Group's sales are subject to changes in consumer preferences and other macroeconomic factors that affect consumer spending patterns. If the Group fails to design and develop products with acceptable quality, or fall behind its competitors in improving its product quality or product variety, the Group's operating results and financial condition may be adversely affected.

The Group relies on a few major customers and its performance will be materially and adversely affected if the Group's relationship with any one of them deteriorates.

The Group's business and financial position may be adversely affected if it is not able to continue servicing the European market effectively or if there is any adverse change in the macro-economic situation or economic downturn in Europe.

The Group's results of operations could be adversely affected if it fails to keep pace with customer demands and preferences on product design, research and development and manufacturing of its products.

The Group may not be successful in the development of new initiatives or improvement in the quality of its existing products.

For further information, please refer to the detailed discussion on the risk factors in the section headed "Risk factors" in the Prospectus.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group has a total of 836 full-time employees (2018: 922). The Group has developed its human resources policies and procedures to determine the individual remuneration with reference to factors such as performance, merits, responsibilities of each individual, market conditions, etc. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, other staff benefits including provident fund contributions, medical insurance coverage, annual leave, share options which may be granted under the share option scheme adopted by the Company on 3 October 2019. The total staff costs (excluding directors' remuneration) incurred by the Group during the year ended 31 December 2019 was approximately HK$76.9 million (2018: approximately HK$81.9 million).

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's business is subject to the relevant PRC national and local environmental laws and regulations, such as the Environmental Protection Law of the PRC. These laws and regulations govern a broad range of environmental matters, including discharge of wastewater and disposal of hazardous waste. A summary of the environmental protection laws and regulations applicable to the Group is set out in the section headed "Regulatory overview" in the Prospectus.

During the year ended 31 December 2019, the Group is not subject to any major environmental claims, lawsuits, penalties, administrative or disciplinary actions.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2019 and up to the date of this announcement, the Group has complied with all the relevant laws and regulations in Hong Kong and the PRC for the business operations of the Group in all material respects.

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules.

In the opinion of the Directors, the Company has complied with the provisions set out in the CG Code since the Listing Date and up to the date of this announcement. For the compliance of the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules, please refer to the paragraph headed "**Model Code for Securities Transactions by Directors**" below in this announcement.

USE OF PROCEEDS

The Net Proceeds of the Share Offer received by the Group in relation to the Listing were approximately HK$90.7 million, after deducting the underwriting fees and related expenses. These proceeds are intended to be applied in accordance with the proposed application set out in the section headed "Future plans and use of proceeds" in the Prospectus. The below table sets out the proposed application and actual usage of the Net Proceeds as at 31 December 2019:

	Planned use of Net Proceeds in total from the Listing	Planned use of Net Proceeds from the Listing Date to 31 December 2019	Actual use of Net Proceeds from the Listing Date to 31 December 2019	Remaining balance of Net Proceeds as at 31 December 2019
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
(A) Upgrading production facilities and enhancing production capacity	50.4	5.3	–	50.4
(B) Strengthening product design and development capabilities and increasing product offerings	31.6	2.1	0.6	31.0
(C) Strengthening customer base	3.0	1.6	0.3	2.7
(D) Upgrading information technology systems	5.7	–	–	5.7
Total	90.7	9.0	0.9	89.8

From the Listing Date to 31 December 2019, the Company utilised approximately HK$0.9 million of Net Proceeds, which is lower than the planned use of proceeds. The delay in use of Net Proceeds is due to the short period between the Listing Date and 31 December 2019, which is insufficient for the Company to apply the Net Proceeds as schedule. The Company intends to apply the unutilised portion of the Net Proceeds according to the planned use of Net Proceeds.

DIVIDEND

The Directors recommended the payment of a final dividend of HK10.6 cents per share for the year ended 31 December 2019 (2018: nil). Payment of the final dividend is subject to the shareholders' approval in the 2020 AGM (as defined below).

ANNUAL GENERAL MEETING

The annual general meeting for the year 2020 (the "**2020 AGM**") is scheduled to be held on Thursday, 28 May 2020. A notice convening the 2020 AGM will be issued and dispatched to the shareholders according to the applicable law, the Articles and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the identity of the shareholders of the Company who will be entitled to attend and vote at the 2020 AGM, the Register of Members will be closed from Monday, 25 May 2020 to Thursday, 28 May 2020, both dates inclusive, the period during which no transfer of shares will be effected. In order to be eligible to attend and vote at the 2020 AGM of the Company, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at its office at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 22 May 2020.

To ascertain the entitlement of the final dividend of the shareholders, the Register of Members will be closed from Wednesday, 3 June 2020 to Friday, 5 June 2020, the period during which no transfer of shares will be effected, and, subject to the approval of the shareholders at the 2020 AGM approving the payment of the final dividend, the final dividend is expected to be paid on Tuesday, 30 June 2020. In order to qualify for the final dividend, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at the above address not later than 4:30 p.m. on Tuesday, 2 June 2020.

EVENTS AFTER THE REPORTING PERIOD

Reference is made to the announcements of the Company dated 3 February 2020, 10 February 2020 and 14 February 2020 in relation to the outbreak of the Epidemic, the Group has taken all necessary internal control measures to prevent the spread of the Epidemic among the staff of the Group. The production of the factory of the Group in Huizhou, the PRC was shortly suspended and resumed on 14 February 2020 in compliance with the Epidemic control measures promulgated by the PRC government.

The Group will continue to comply with the relevant laws and regulations and closely monitor the impact of Epidemic among logistics, material supplies as well as overall the economic situation.

As at the date of this announcement, the Group expected that the Epidemic would have temporary impact on the Group's operation but the degree of impact would depend on the development of the Epidemic and the time when the Epidemic prevention and control policies would be lifted.

Other than those disclosed above, the Group had no material events for disclosure subsequent to 31 December 2019 and up to the reporting date of the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period between the Listing Date and 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its shares.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the required standards for the directors' dealing in the securities of the Company.

The Board was informed by Mr. Chan Shing Jee, an independent non-executive Director of the Company, that on 5 March 2020, a date during the period of which the Directors are prohibited from dealing in the shares in the Company under Rule A.3(a) of the Model Code (the "**Black-out Period**"), Mr. Chan Shing Jee's father purchased 1,000,000 shares of the Company (the "**Acquisition**") by using a securities account jointly held by Mr. Chan Shing Jee and his father (the "**Incident**"). Upon being aware of the Incident, Mr. Chan Shing Jee notified the Board immediately and Mr. Chan Shing Jee confirmed to the Board that he had no prior knowledge that his father would use the joint-name securities account to acquire the shares in the Company and he had no participation in the Acquisition.

Upon making enquiry by the Board, the Board considered that the Acquisition technically constituted a "dealing in securities" under the Model Code and therefore was a technical breach of Rule A.3(a) of the Model Code. In view of the Incident, the following remedial actions were taken:

(i) Mr. Chan Shing Jee was reminded of the requirements and prohibitions set out in the Model Code and warning was given to him by the Board;

(ii) Mr. Chan Shing Jee agreed to take all reasonable steps to close the joint-name account held by him and his father and cease holding the shares in the Company in that account as soon as practicable after the Black-out Period; and

(iii) Mr. Chan Shing Jee also agreed, and to procure his father, not to dispose of the shares in the Company until the lapse of the Black-out Period in order to prevent further breach of the Model Code.

Other than the Incident disclosed above, having made specific enquiry of all Directors, the Company confirmed that all Directors (other than Mr. Chan Shing Jee in relation to the Incident) have fully complied with the required standard set out in the Model Code since the Listing Date and up to the date of this announcement.

REVIEW BY AUDIT COMMITTEE

The Audit Committee was established on 3 October 2019 with specific written terms of reference which clearly deals with its authority and duties.

The Audit Committee is mainly responsible for (a) making recommendations to the Board on the appointment, reappointment and removal of external auditor; (b) reviewing the financial statements and providing material advice in respect of financial reporting; (c) overseeing the financial reporting process, internal control, risk management systems and audit process of the Group; and (d) overseeing the Company's continuing connected transactions. Details of the authority and duties of Audit Committee are set out in the Audit Committee's terms of reference, which are available on the websites of the Stock Exchange and the Company.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Ping Yim (Chairman), Mr. Choi Chi Leung Danny and Mr. Chan Shing Jee. The composition of the Audit Committee meets the requirements of Rule 3.21 of the Listing Rules.

The annual results disclosed in this announcement and the consolidated financial statements of the Group for the year ended 31 December 2019 have been reviewed by the Audit Committee.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at "www.hkexnews.hk" and on the website of the Company at "www.townray.com". The annual report of the Company for the year ended 31 December 2019 will be despatched to the shareholders and published on the above websites according to the Listing Rules.

APPRECIATION

The Board would like to thank our management team and all our staff members for their effort and significant contribution to the Group during the past year. In addition, the Board would like to express our heartfelt gratitude to our shareholders, institutional investors, customers, bankers, suppliers, subcontractors and business partners for their continuous support to and confidence in the Group.

By order of the Board
Town Ray Holdings Limited
Chan Kam Kwong Charles
Chairman and non-executive Director

Hong Kong, 23 March 2020

As at the date of this announcement, the Board comprises Mr. Chan Wai Ming, Mr. Chiu Wai Kwong, Ms. Tang Mei Wah and Mr. Yu Kwok Wai as executive Directors; Dr. Chan Kam Kwong Charles and Ms. Cheng Yuk Sim Connie as non-executive Directors; and Mr. Chan Ping Yim, Mr. Choi Chi Leung Danny and Mr. Chan Shing Jee as independent non-executive Directors.