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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 2020

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately HK\$31.5 million or approximately 6.2% from approximately HK\$510.2 million for the year ended 31 December 2019 to approximately HK\$541.7 million for the year ended 31 December 2020.
- Gross profit increased by approximately 3.1% from approximately HK\$178.5 million for the year ended 31 December 2019 to approximately HK\$184.0 million for the year ended 31 December 2020.
- Gross profit margin slightly decreased from approximately 35.0% for the year ended 31 December 2019 to approximately 34.0% for the year ended 31 December 2020.
- Profit attributable to the equity holders of the Company for the year ended 31 December 2020 increased by approximately HK\$43.4 million or approximately 71.3% from approximately HK\$60.8 million for the year ended 31 December 2019 to approximately HK\$104.2 million for the year ended 31 December 2020.
- After setting aside the listing expenses of approximately HK\$19.6 million for the year ended 31 December 2019, the adjusted profit attributable to the equity holders of the Company for the year ended 31 December 2020 increased by approximately HK\$23.8 million or approximately 29.6% from approximately HK\$80.4 million for the year ended 31 December 2019 to approximately HK\$104.2 million for the year ended 31 December 2020.
- Basic earnings per share was approximately HK27.53 cents for the year ended 31 December 2020 and approximately HK19.07 cents for the year ended 31 December 2019.
- The board has proposed a final dividend of HK14.4 cents per share in respect of the year ended 31 December 2020, which is subject to the approval of the Company's shareholders at the 2021 AGM.

The board (the “**Board**”) of directors (the “**Directors**”) of Town Ray Holdings Limited (the “**Company**”, “**Town Ray**”) is pleased to present the consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the corresponding year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
REVENUE	4	541,697	510,198
Cost of sales		<u>(357,660)</u>	<u>(331,670)</u>
Gross profit		184,037	178,528
Other income and gains, net	4	13,171	4,162
Selling and distribution expenses		(10,142)	(9,621)
General and administrative expenses		(63,234)	(85,967)
Other expenses, net		566	(2,953)
Finance costs		<u>(1,657)</u>	<u>(3,273)</u>
PROFIT BEFORE TAX	5	122,741	80,876
Income tax expense	6	<u>(18,549)</u>	<u>(20,066)</u>
PROFIT FOR THE YEAR		<u>104,192</u>	<u>60,810</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted		<u>HK27.53 cents</u>	<u>HK19.07 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 December 2020*

	2020 HK\$'000	2019 HK\$'000
PROFIT FOR THE YEAR	104,192	60,810
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of a foreign operation	<u>5,638</u>	<u>(1,010)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>109,830</u>	<u>59,800</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		38,825	29,926
Right-of-use assets		11,910	21,906
Deposits paid for purchases of items of property, plant and equipment		4,434	640
Rental deposit		83	251
Deferred tax assets		898	1,582
Total non-current assets		56,150	54,305
CURRENT ASSETS			
Inventories		82,420	67,511
Trade receivables	9	90,837	62,935
Prepayments, deposits and other receivables		20,439	39,304
Pledged deposits		1,103	–
Cash and cash equivalents		223,945	245,558
Total current assets		418,744	415,308
CURRENT LIABILITIES			
Trade payables	10	74,485	52,600
Other payables and accruals		32,054	31,272
Interest-bearing bank borrowings		39,605	43,471
Lease liabilities		12,553	11,565
Tax payable		3,977	11,276
Total current liabilities		162,674	150,184
NET CURRENT ASSETS		256,070	265,124
TOTAL ASSETS LESS CURRENT LIABILITIES		312,220	319,429
NON-CURRENT LIABILITIES			
Lease liabilities		13	10,947
Deferred tax liabilities		3,224	1,927
Total non-current liabilities		3,237	12,874
Net assets		308,983	306,555
EQUITY			
Issued capital	11	3,590	4,000
Reserves		305,393	302,555
Total equity		308,983	306,555

NOTES

31 December 2020

1. CORPORATE 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 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 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

Except for the amendments to HKFRS 3, which are not relevant to the preparation of the Group’s financial statements, the nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (c) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

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	<i>Reference to the Conceptual Framework</i> ³
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁵
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ⁴
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{4, 7}
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ^{4, 6}
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> ³
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i> ³
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ³

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

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

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ No mandatory effective date yet determined but available for adoption

⁶ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁷ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

	2020 HK\$'000	2019 HK\$'000
Europe	495,220	443,200
Asia	30,325	36,539
United States	13,198	28,172
Others	2,954	2,287
	<u>541,697</u>	<u>510,198</u>

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

(b) Non-current assets

	2020 HK\$'000	2019 HK\$'000
Hong Kong	1,804	2,096
Mainland China	53,365	50,376
	<u>55,169</u>	<u>52,472</u>

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:

	2020 HK\$'000	2019 HK\$'000
Customer A	268,655	230,907
Customer B	70,678	60,203

4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2020 HK\$'000	2019 HK\$'000
Revenue from contracts with customers	<u>541,697</u>	<u>510,198</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

	2020 HK\$'000	2019 HK\$'000
Types of goods		
Sale of electrothermic household appliances	540,940	508,260
Sale of tooling	<u>757</u>	<u>1,938</u>
Total revenue from contracts with customers	<u>541,697</u>	<u>510,198</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>541,697</u>	<u>510,198</u>

(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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income		
Bank interest income	2,193	1,250
Consultancy income	827	849
Government grants*	3,500	–
Others	989	2,055
	<u>7,509</u>	<u>4,154</u>
Gains, net		
Fair value gains on structured deposits	–	8
Foreign exchange differences, net	5,662	–
	<u>5,662</u>	<u>8</u>
	<u><u>13,171</u></u>	<u><u>4,162</u></u>

* There were no unfulfilled conditions or contingencies relating to these grants.

5. PROFIT BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories sold	357,660	331,670
Depreciation of property, plant and equipment*	9,804	8,479
Depreciation of right-of-use assets*	11,303	11,155
Foreign exchange differences, net	(5,662)	2,449 [^]
Impairment of trade receivables, net [^]	(566)	480
Loss on disposal of items of property, plant and equipment, net [^]	–	24
Write-down/(reversal of write-down) of inventories to net realisable value*	1,353	(643)
Listing expenses	<u>–</u>	<u>19,568</u>

* The cost of inventories sold for the year included depreciation charge of property, plant and equipment of HK\$8,496,000 (2019: HK\$8,263,000), depreciation charge of right-of-use assets of HK\$9,126,000 (2019: HK\$9,230,000) and write-down of inventories to net realisable value of HK\$1,353,000 (2019: reversal of write-down of inventories to net realisable value of HK\$643,000).

[^] 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% (2019: 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. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2020 HK\$'000	2019 HK\$'000
Current — Hong Kong		
Charge for the year	14,188	9,452
Overprovision in prior years	(20)	—
Current — Mainland China		
Charge for the year	2,552	8,483
Underprovision in prior years	—	20
Deferred	1,829	2,111
	<hr/>	<hr/>
Total tax charge for the year	18,549	20,066

7. DIVIDENDS

	2020 HK\$'000	2019 HK\$'000
Dividends recognised as distribution during the year:		
Final 2019 — HK10.6 cents (2018: Nil) per ordinary share	42,400	—
Less: Dividend for treasury shares	(118)	—
	<hr/>	<hr/>
	42,282	—
	<hr/>	<hr/>
Interim 2020 — HK8.9 cents (2019: Nil) per ordinary share	31,951	—
	<hr/>	<hr/>
	74,233	—
	<hr/>	<hr/>
Dividend proposed after the end of the reporting period:		
Proposed final 2020 — HK14.4 cents (2019: HK10.6 cents) per ordinary share	51,696	42,400
	<hr/>	<hr/>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. 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\$104,192,000 (2019: HK\$60,810,000), and the weighted average number of ordinary shares of 378,417,279 (2019: 318,904,110) in issue during the year, as adjusted to exclude the shares repurchased during the year and on the assumption that the capitalisation issue had been completed on 1 January 2019.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

9. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	91,295	63,959
Impairment	(458)	(1,024)
	<u>90,837</u>	<u>62,935</u>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	44,162	28,621
31 to 90 days	41,889	29,135
Over 90 days	4,786	5,179
	<u>90,837</u>	<u>62,935</u>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	26,454	19,750
31 to 90 days	40,424	31,457
Over 90 days	7,607	1,393
	<u>74,485</u>	<u>52,600</u>

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

11. SHARE CAPITAL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Authorised:		
4,000,000,000 ordinary shares of HK\$0.01 each	<u>40,000</u>	<u>40,000</u>
Issued and fully paid:		
359,000,000 (2019: 400,000,000) ordinary shares of HK\$0.01 each	<u>3,590</u>	<u>4,000</u>

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 2019		38,000,000	380
Increase in authorised share capital	(a)	<u>3,962,000,000</u>	<u>39,620</u>
At 31 December 2019, at 1 January 2020 and at 31 December 2020		<u>4,000,000,000</u>	<u>40,000</u>
Issued and fully paid:			
At 1 January 2019		11,178	–
Capitalisation issue	(b)	<u>299,988,822</u>	<u>3,000</u>
Issue of shares under initial public offering	(c)	<u>100,000,000</u>	<u>1,000</u>
At 31 December 2019 and at 1 January 2020		400,000,000	4,000
Shares repurchased and cancelled	(d)	<u>(41,000,000)</u>	<u>(410)</u>
At 31 December 2020		<u>359,000,000</u>	<u>3,590</u>

- (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 of Hong Kong Limited (the "**Stock Exchange**") commenced on 25 October 2019.
- (d) During the year, the Company purchased a total of 41,000,000 ordinary shares on the Stock Exchange at a total consideration of approximately HK\$33,169,000. The purchased shares were cancelled during the year and the total amount paid for the purchases of the shares of approximately HK\$33,169,000 was transferred from treasury shares to issued capital and share premium account.

BUSINESS REVIEW

2020 was a remarkable year for the Group, with Town Ray achieving a set of strong results, despite the challenges brought by the global outbreak of the coronavirus pandemic (“**Pandemic**”). During the first quarter of 2020, the Pandemic mainly affected the PRC, the production of the Group’s factory was shortly suspended, and supply chains were also affected due to lockdown and quarantine measures. The impact of this suspension to the business was limited, thanks to the exemplary efforts of the Group’s staff. The management was particularly thankful to the contributions from a team of 11 Hong Kong staff members who stationed in the PRC during the year to supervise the operations of the factory, which enabled the Group to deliver products to the customers in a timely manner.

As the Pandemic began spreading globally from the second quarter of 2020 onward, there was uncertainty regarding the business as many western countries imposed lockdown and travel restrictions measures. Such measures delayed order placements and product delivery, as well as dampened consumer demand, causing the Group’s customers to be very prudent in placing new orders in the second quarter. Entering the second half of 2020, the market began to adapt and developed a new normal of the stay-at-home economy. With more time spent at home, and the lack of outdoor activities, the consumer demand for household appliances increased, particularly for cooking appliances, which became a strong growth driver for the Group’s business.

On the research and development level, the Group continued its commitment to innovation during the year and new patents were developed. New product features were introduced, which enhanced outlook, ease of control and improved functions. The Group’s strong research and development capabilities were essential in maintaining its competitive advantage in a volatile market.

PROSPECTS

Looking towards 2021, many uncertainties remain in the business environment and the Group expects further challenges in the year ahead. The situation with the Pandemic remains serious in part of the globe. Full recovery of the global economy and consumer sentiments will depend on effective and timely vaccinations of the population. The Group expects the stay-at-home economy to continue for some time. The Group will continue to upgrade production facilities and enhance production capacity in 2021 in accordance with the future plans and use of proceeds.

The Group expects that import tariffs of its products to Europe, the United Kingdom and the United States will remain relatively stable in 2021. However, the strong recovery of the Chinese manufacturing sector has caused a shortage of raw materials, which may exert upward pressure to the Group’s production costs. The Group will leverage on its excellent capabilities in communicating with customers and suppliers to help alleviate any impacts brought by tariffs and rising raw material costs. Furthermore, the Group will keenly monitor the exchange rate of the Renminbi (“**RMB**”) against the United States Dollars (“**USD**”) to ensure swift response to its fluctuations in order to maintain the profit margins.

The stay-at-home economy has not only driven up the demand for cooking appliances, but also it has encouraged the desire for a wider variety of electrothermic household products with more sophisticated functions. To better capture this opportunity, the Group will continue to leverage on its excellent capabilities in research and development to develop products with the latest technologies and innovations, and to diversify its existing product mix.

The Chinese economy showed its strong resilience in 2020. The National Bureau of Statistics of China reported a 2.3% year-on-year growth of gross domestic product for the year of 2020, despite the Pandemic and global economic downturn. While urbanisation continues in the PRC, people's disposable income continues to increase. The Group believes that there is great potential in the Chinese market and is actively considering to tap into the market with its self-owned brand in 2021, starting at the affluent Greater Bay Area.

The Group is cautiously optimistic about the long-term growth of the electrothermic household appliances market. However, the Group also notes that the development of the Pandemic is still uncertain, together with the ongoing geopolitical tension and protectionism, challenges remain in the business environment. To stay competitive in the ever-changing market, the Group will dedicate to market diversification, leveraging on its expertise in electrothermic technologies to increase and upgrade its product offerings, with an aim to create greater values to its customers and shareholders.

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by approximately HK\$31.5 million or approximately 6.2% from approximately HK\$510.2 million for the year ended 31 December 2019 to approximately HK\$541.7 million for the year ended 31 December 2020. Such increase was mainly attributable to the increase in the sales of cooking appliances during the year ended 31 December 2020.

Gross Profit and Gross Profit Margin

Although the gross profit margin of the Group slightly decreased by 1.0 percentage point from approximately 35.0% for the year ended 31 December 2019 to approximately 34.0% for the year ended 31 December 2020, the gross profit of the Group increased from approximately HK\$178.5 million for the year ended 31 December 2019 to approximately HK\$184.0 million for the year ended 31 December 2020, representing an increase of approximately 3.1%. The increase in gross profit was primarily attributable to the increase in sales of cooking appliances during the year ended 31 December 2020.

Other Income and Gains, Net

Other income and gains, net increased from approximately HK\$4.2 million for the year ended 31 December 2019 to approximately HK\$13.2 million for the year ended 31 December 2020. Such increase was mainly due to the Group recorded an exchange gain of approximately HK\$5.7 million and the receipt of government grants of approximately HK\$3.5 million for the year ended 31 December 2020.

General and Administrative Expenses

General and administrative expenses decreased from approximately HK\$86.0 million for the year ended 31 December 2019 to approximately HK\$63.2 million for the year ended 31 December 2020. Such decrease was due to the listing (the “**Listing**”) expenses of approximately HK\$19.6 million recorded for the year ended 31 December 2019, while no Listing expenses were recorded for the year ended 31 December 2020 and also due to the temporary reduction and exemption of payment of social insurance premiums in the PRC for the year ended 31 December 2020.

Finance Costs

Finance costs decreased from approximately HK\$3.3 million for the year ended 31 December 2019 to approximately HK\$1.7 million for the year ended 31 December 2020. Such decrease was due to the decrease of approximately HK\$1.1 million in interest on bank loans for the year ended 31 December 2020 for operations and approximately HK\$0.5 million in interest on lease liabilities for the year ended 31 December 2020.

Income Tax Expense

The income tax expense decreased by approximately HK\$1.5 million, representing a decrease of approximately 7.6%, from approximately HK\$20.1 million for the year ended 31 December 2019 to approximately HK\$18.5 million for the year ended 31 December 2020. The decrease was primarily attributable to the preferential corporate income tax (“**CIT**”) rate at 15% instead of the statutory CIT rate at 25% applicable to a subsidiary of the Company established in the PRC which was awarded the status of High and New Technology Enterprise, Town Ray Electrical (Huizhou) Limited, for the year ended 31 December 2020. The effective tax rate was approximately 24.8% and 15.1% for the years ended 31 December 2019 and 2020, respectively.

Net Profit and Adjusted Net Profit

As a result of the foregoing, the profit for the year of the Group increased by approximately HK\$43.4 million, or approximately 71.3%, from approximately HK\$60.8 million for the year ended 31 December 2019 to approximately HK\$104.2 million for the year ended 31 December 2020. After setting aside the Listing expenses of approximately HK\$19.6 million for the year ended 31 December 2019, the Group's adjusted net profit increased by approximately HK\$23.8 million, or approximately 29.6%, from approximately HK\$80.4 million for the year ended 31 December 2019 to approximately HK\$104.2 million for the year ended 31 December 2020. The adjusted net profit margin (excluding the Listing expenses) for the years ended 31 December 2019 and 2020 were approximately 15.8% and 19.2%, respectively, representing an increase of approximately 3.4 percentage points.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2020.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group has capital commitments in respect of purchases of property, plant and equipment, which had been contracted but not provided for in the consolidated financial statements, in the total amount of approximately HK\$6.9 million, of which approximately HK\$4.6 million will be settled through the net proceeds (the “**Net Proceeds**”) raised from the share offer of the Company (the “**Share Offer**”). Save as disclosed above, the Group did not have other capital commitments for the year ended 31 December 2020.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities (2019: nil).

FOREIGN EXCHANGE EXPOSURE

The Group undertakes certain transactions denominated in foreign currencies, mainly in USD and RMB, hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. As at 31 December 2020, 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 2020, the gearing ratio of the Group (defined as the total of bank borrowings divided by total equity) was approximately 12.8% (2019: approximately 14.2%). Such decrease was mainly due to the decrease in bank borrowings 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 2020, the Group had cash and cash equivalents of approximately HK\$223.9 million (2019: approximately HK\$245.6 million). The gearing ratio of the Group as at 31 December 2020 was approximately 12.8% (2019: approximately 14.2%). Although the current ratio of the Group slightly decreased from approximately 2.8 times as at 31 December 2019 to approximately 2.6 times as at 31 December 2020, it was maintained at a healthy level. The financial resources presently available to the Group include bank borrowings and the Net Proceeds, the Directors believe that the Group has sufficient working capital for its future requirements.

The Company's shares were successfully listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 25 October 2019 (the "**Listing Date**"). Save and except for the 41,000,000 shares repurchased by the Company during the year ended 31 December 2020, there has been no change in the capital structure of the Group during the year ended 31 December 2020. For details on the shares repurchased by the Company during the year ended 31 December 2020, please refer to the paragraph headed "Purchase, Sale or Redemption of Listed Securities" below in this announcement.

DEBTS AND CHARGE ON ASSETS

The total interest-bearing bank borrowings of the Group amounted to approximately HK\$39.6 million as at 31 December 2020 (2019: approximately HK\$43.5 million). As at 31 December 2020, the Group had pledged deposits of approximately HK\$1.1 million in support of the issue of two letters of credit by the bank. Other than the above, no charge was made or subsisting on assets of the Group as at 31 December 2020.

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:

- (i) The Group's business and operation may be seriously affected by the Pandemic or other public health incident, which may cause lockdown, travel restrictions and suspension of work in the PRC, Hong Kong or elsewhere.
- (ii) 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.
- (iii) 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.
- (iv) 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.
- (v) 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.
- (vi) 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 of the Company dated 15 October 2019 (the "**Prospectus**").

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group has a total of 792 full-time employees (2019: 836). The Group has developed its human resources policies and procedures to determine the individual remuneration with reference to factors such as qualifications, experience, 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 include provident fund contributions, medical insurance coverage, annual leave and 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 2020 was approximately HK\$73.4 million (2019: approximately HK\$76.9 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 2020, the Group is not subject to any material environmental claims, lawsuits, penalties, administrative or disciplinary actions.

For further information in relation to the environmental policies of the Group, please refer to the environmental, social and governance report for the year ended 31 December 2020, which will be published on the Group's website according to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2020 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 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.

Save and except for the non-compliance incident as disclosed in the paragraph headed "Model Code for Securities Transactions by Directors" in this announcement, in the opinion of the Directors, the Company has complied with the provisions set out in the CG Code during the year ended 31 December 2020 and up to the date of this announcement. For further information in respect of the corporate governance of the Group during the year ended 31 December 2020, please refer to the corporate governance report in the annual report, which will be published according to the Listing Rules in April 2021.

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. Part of these proceeds were applied during the year ended 31 December 2020 and 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 2020:

	Total Planned use of Net Proceeds <i>HK\$ million</i>	Actual use of Net Proceeds from the Listing Date to 31 December 2020 <i>HK\$ million</i>	Remaining balance of Net Proceeds as at 31 December 2020 <i>HK\$ million</i>	Expected timeline for the intended use
(A) Upgrading production facilities and enhancing production capacity	50.4	13.5	36.9	By December 2021
(B) Strengthening product design and development capabilities and increasing product offerings	31.6	6.0	25.6	By December 2022
(C) Strengthening customer base	3.0	1.2	1.8	By December 2022
(D) Upgrading information technology systems	5.7	0.6	5.1	By June 2022
Total	<u>90.7</u>	<u>21.3</u>	<u>69.4</u>	

From the Listing Date to 31 December 2020, the Company utilised approximately HK\$21.3 million of Net Proceeds and the unutilised net proceeds amounted to approximately HK\$69.4 million (the “**Unutilised Net Proceeds**”). Having considered the recent business environment and development of the Group, in particular, the adverse impact of the outbreak of the Pandemic to the economy and business environment and the customers’ demand in areas where the major customers of the Group are located, the Board on 23 July 2020 resolved to revise the schedule of the use of the Unutilised Net Proceeds. The Board is of the view that this expected timeline would be appropriate and in the interest of the Company and the shareholders as a whole.

DIVIDEND

The Directors recommended the payment of a final dividend of HK14.4 cents per share for the year ended 31 December 2020 (2019: HK10.6 cents). Payment of the final dividend is subject to the shareholders’ approval in the annual general meeting of the Company, which is scheduled to be held on Friday, 28 May 2021 (“**2021 AGM**”).

ANNUAL GENERAL MEETING

The 2021 AGM is scheduled to be held on Friday, 28 May 2021. A notice convening the 2021 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 2021 AGM, the Register of Members will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021, 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 2021 AGM, 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 Monday, 24 May 2021.

Subject to the approval of the shareholders at the 2021 AGM approving the payment of the final dividend, to ascertain the entitlement of the final dividend of the shareholders of the Company, the Register of Members will be closed from Thursday, 3 June 2021 to Monday, 7 June 2021, the period during which no transfer of shares will be effected. The final dividend, if approved at the 2021 AGM, is expected to be paid on Friday, 11 June 2021. In order to qualify for receiving 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 Wednesday, 2 June 2021.

EVENTS AFTER THE REPORTING PERIOD

The Group had no material events for disclosure subsequent to 31 December 2020 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Reference is made to the announcement of the Company dated 18 May 2020 that the Board on 18 May 2020 resolved to utilise the share repurchase mandate granted by the shareholders to undertake on-market repurchase at the Stock Exchange up to the value of HK\$40 million. During the year ended 31 December 2020, the Company has purchased a total of 41,000,000 shares on the Stock Exchange with an aggregate consideration (before transaction costs) of approximately HK\$33,049,000. The transaction costs, including brokerages, stamp duties and transaction levies, etc, involved in the repurchase amounted to approximately HK\$120,000. All repurchased shares were subsequently cancelled. Details of shares repurchased during the year ended 31 December 2020 are set out as follows:

Month of repurchase	Number of shares repurchased on the Stock Exchange	Price paid per share		Aggregate consideration paid (before transaction costs) (HK\$'000)
		Highest (HK\$)	Lowest (HK\$)	
May 2020	1,114,000	0.78	0.75	856
June 2020	30,412,000	0.86	0.70	24,631
July 2020	9,474,000	0.81	0.77	7,562
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>41,000,000</u>			<u>33,049</u>

After the share repurchase completed as shown in the table above, the total number of issued shares was reduced to 359,000,000 shares. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors.

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 were 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.

All of the 1,000,000 Shares of the Company held under the joint securities account of Mr. Chan Shing Jee and his father were disposed of at the market subsequently from 27 March 2020 to 31 March 2020. As at the date of this announcement, Mr. Chan Shing Jee confirmed that the joint-name securities account was closed.

Having made specific enquiry of all Directors, each of the Directors confirmed that he/she (other than Mr. Chan Shing Jee in relation to the Incident) has fully complied with the required standard set out in the Model Code during the year ended 31 December 2020 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 as disclosed in this announcement and the consolidated financial statements of the Group for the year ended 31 December 2020 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 2020 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 2020 will be despatched to the shareholders and published on the above websites according to the Listing Rules in April 2021.

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 2021

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.