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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately HK$76.2 million or approximately 34.1% from approximately HK$223.8 million for the six months ended 30 June 2020 to approximately HK$300.0 million for the six months ended 30 June 2021.

- Gross profit increased by approximately 18.2% from approximately HK$74.8 million for the six months ended 30 June 2020 to approximately HK$88.4 million for the six months ended 30 June 2021.

- Gross profit margin decreased by 3.9 percentage points from approximately 33.4% for the six months ended 30 June 2020 to approximately 29.5% for the six months ended 30 June 2021.

- Profit attributable to the equity holders of the Company for the six months ended 30 June 2021 increased by approximately HK$4.4 million or approximately 12.5% from approximately HK$34.8 million for the six months ended 30 June 2020 to approximately HK$39.2 million for the six months ended 30 June 2021. The net profit margin for the six months ended 30 June 2020 and 2021 were approximately 15.6% and 13.1%, respectively, representing a decrease of approximately 2.5 percentage points.

- Basic earnings per share was approximately HK10.91 cents for the six months ended 30 June 2021 and approximately HK8.76 cents for the six months ended 30 June 2020.

- The Board resolved to declare an interim dividend of HK9.8 cents per share in respect of the six months ended 30 June 2021, totalling approximately HK$35.2 million.

The board (the "**Board**") of directors (the "**Directors**") of Town Ray Holdings Limited (the "**Company**") is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2021, together with the comparative figures for the corresponding period ended 30 June 2020.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**300,041**	223,796
Cost of sales		**(211,642)**	(148,983)
Gross profit		**88,399**	74,813
Other income	*4*	**1,625**	2,303
Selling and distribution expenses		**(6,346)**	(4,043)
General and administrative expenses		**(37,270)**	(28,477)
Other expenses, net		**212**	(277)
Finance costs		**(448)**	(1,002)
PROFIT BEFORE TAX	*5*	**46,172**	43,317
Income tax expense	*6*	**(7,001)**	(8,512)
PROFIT FOR THE PERIOD		**39,171**	34,805
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic and diluted		**HK10.91 cents**	HK8.76 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**39,171**	34,805
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	**1,135**	(1,398)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**40,306**	33,407

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2021

	Notes	30 June 2021 HK$'000 (Unaudited)	31 December 2020 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**45,521**	38,825
Right-of-use assets		**6,028**	11,910
Deposits paid for purchases of items of property, plant and equipment		**2,894**	4,434
Rental deposit		**–**	83
Deferred tax assets		**874**	898
Total non-current assets		**55,317**	56,150
CURRENT ASSETS			
Inventories		**176,399**	82,420
Trade receivables	*9*	**64,566**	90,837
Prepayments, deposits and other receivables		**28,402**	20,439
Tax recoverable		**399**	–
Pledged deposits		**87**	1,103
Cash and cash equivalents		**188,922**	223,945
Total current assets		**458,775**	418,744
CURRENT LIABILITIES			
Trade payables	*10*	**110,244**	74,485
Other payables and accruals		**49,722**	32,054
Interest-bearing bank borrowings		**36,569**	39,605
Lease liabilities		**6,449**	12,553
Tax payable		**9,703**	3,977
Total current liabilities		**212,687**	162,674
NET CURRENT ASSETS		**246,088**	256,070
TOTAL ASSETS LESS CURRENT LIABILITIES		**301,405**	312,220

	Notes	**30 June 2021** *HK$'000* **(Unaudited)**	31 December 2020 *HK$'000* (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		**–**	13
Deferred tax liabilities		**3,812**	3,224
Total non-current liabilities		**3,812**	3,237
Net assets		**297,593**	308,983
EQUITY			
Issued capital		**3,590**	3,590
Reserves		**294,003**	305,393
Total equity		**297,593**	308,983

NOTES

1. CORPORATE INFORMATION

Town Ray Holdings Limited (the "**Company**") 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 period, 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 interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

The interim condensed consolidated financial information has been prepared under the historical cost convention. The financial information is 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 accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

    The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

(b) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. In April 2021, the HKICPA issued another amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021* to extend the availability of the practical expedient for any reduction in lease payments that affects only payments originally due on or before 30 June 2022 (the "**2021 Amendment**"). The 2021 Amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

    The Group has early adopted the 2021 Amendment on 1 January 2021. Since the Group did not receive any rent concession from the lessors during the period ended 30 June 2021, the amendments did not have any impact on the financial position and performance of the Group.

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

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Europe	**280,730**	200,576
Asia	**14,274**	11,201
United States	**3,446**	10,277
Others	**1,591**	1,742
	300,041	223,796

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

(b) Non-current assets

	As at 30 June 2021	As at 31 December 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Hong Kong	**1,181**	1,804
Mainland China	**53,262**	53,365
	54,443	55,169

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:

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Customer A	**124,438**	103,065
Customer B	**N/A***	22,364
Customer C	**35,059**	N/A*

* Less than 10% of revenue

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**300,041**	223,796

Revenue from contracts with customers

Disaggregated revenue information

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Types of goods		
Sale of electrothermic household appliances	**295,982**	223,731
Sale of tooling	**4,059**	65
Total revenue from contracts with customers	**300,041**	223,796
Timing of revenue recognition		
Goods transferred at a point in time	**300,041**	223,796

An analysis of other income is as follows:

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**686**	1,196
Consultancy income	**590**	417
Others	**349**	690
	1,625	2,303

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**211,642**	148,983
Depreciation of property, plant and equipment*	**5,986**	4,241
Depreciation of right-of-use assets*	**5,996**	5,535
Foreign exchange differences, net^	**222**	808
Reversal of impairment of trade receivables, net^	**(434)**	(531)
Write-down/(reversal of write-down) of inventories to net realisable value*	**(246)**	346

* The cost of sales for the period included depreciation charge of property, plant and equipment of HK$5,294,000 (six months ended 30 June 2020: HK$4,070,000), depreciation charge of right-of-use assets of HK$4,864,000 (six months ended 30 June 2020: HK$4,468,000) and reversal of write-down of inventories to net realisable value of HK$246,000 (six months ended 30 June 2020: write-down of inventories to net realisable value of HK$346,000).

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

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, 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 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current — Hong Kong		
Charge for the period	**5,729**	5,298
Current — Mainland China		
Charge for the period	**671**	2,496
Underprovision in prior periods	**23**	–
Deferred	**578**	718
Total tax charge for the period	**7,001**	8,512

7. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend recognised as distribution during the period:		
Final 2020 — HK14.4 cents (2019: HK10.6 cents) per ordinary share	**51,696**	42,400
Less: Dividend for treasury shares	**–**	(118)
	51,696	42,282
Dividend proposed after the end of the reporting period:		
Interim 2021 — HK9.8 cents (2020: HK8.9 cents) per ordinary share	**35,182**	31,951

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 period attributable to ordinary equity holders of the Company of HK$39,171,000 (six months ended 30 June 2020: HK$34,805,000), and the weighted average number of ordinary shares of 359,000,000 (six months ended 30 June 2020: 397,397,363) in issue during the period, as adjusted to exclude the shares repurchased during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

9. TRADE RECEIVABLES

	30 June	31 December
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**64,590**	91,295
Impairment	**(24)**	(458)
	64,566	90,837

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:

	30 June 2021	31 December 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**28,440**	44,162
31 to 90 days	**34,464**	41,889
Over 90 days	**1,662**	4,786
	64,566	90,837

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:

	30 June 2021	31 December 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**47,423**	26,454
31 to 90 days	**58,946**	40,424
Over 90 days	**3,875**	7,607
	110,244	74,485

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

BUSINESS REVIEW

Town Ray achieved another set of strong results for the six months ended 30 June 2021 (the "**Period**"), despite the economic challenges brought by the ongoing global outbreak of the coronavirus pandemic (the "**Pandemic**"), rising raw material prices, global shortage of shipping containers, as well as appreciation of the Renminbi ("**RMB**") against the United States dollars ("**USD**").

Notwithstanding diligent and concerted effort from the global community, the outbreak of the Pandemic and its mutations remain serious in certain parts of the world, which has brought significant changes to consumer behaviour. In western regions including Europe, lockdown and travel restrictions have perpetuated the stay-at-home economy, and consumer demand for household appliances, particularly for cooking appliances, continued to grow due to more time being spent at home. The Group's cooking appliances have been benefited from this market opportunity and enjoyed an increased demand. Town Ray's expansion of its production capacity has been significant to allow the Group to fully satisfy the growing customer's demand for the Group's products, well-reflecting the success of the management's forward-thinking strategies.

On the other hand, global export was under pressure due to the shortage of shipping containers, caused by restrictions in international travel and lockdown measures during the Period. Furthermore, the serious imbalance in supply and demand of raw materials caused their prices to increase. During the Period, some of the ports in the PRC were affected by the outbreak of the Pandemic and were suspended from work temporarily, which caused short-term disruption in delivery schedules and an increase in the freight forwarding costs. The Group remained attentive during the Period and remained in close correspondence with its customers and suppliers, and the Group explored alternatives to sourcing and shipping of raw materials and finished goods. Although such measures have incurred additional operating costs, the Group's prompt communications with its business partners have effectively lessened the impacts to the Group's profitability, while there were still some scheduled shipments that could not be delivered in June 2021 due to the temporary suspension of operation in PRC ports as affected by the Pandemic.

The Group remained committed to diversify its product range and customer base during the Period to sustain its strong competitive advantages in the market. Regarding product research and development, the Group expanded its research and development team in Hong Kong. The Group had also launched its own brand during the Period in Hong Kong, opening a new revenue stream for the Group and paving its way to reach consumers in the affluent Greater Bay Area.

PROSPECTS

Entering the second half of 2021, the Group is cautiously optimistic as to its financial performance. In Europe, while vaccination is progressing in a steady pace, economic recovery back to pre-pandemic levels is expected to take some time and will be dependent on the time at which the lockdown measures are lifted in different countries. However, the Group expects that the stay-at-home economy to continue for some time as the Pandemic has changed consumer spending behaviour from services to consumer products. The increase in the Group's production capacity in 2020 has been in full operation during the first half of 2021 and will continue to contribute to the Group in the second half of 2021.

The Group expects that the unstable global supply of shipping containers will bring challenges to manufacturers including the Group in the remaining period of 2021. Furthermore, the Pandemic showed signs of resurgence in many parts of the world, causing uncertainty to many market re-openings. The Group will continue to attentively monitor the situation and engage in transparent communication with customers and suppliers to reduce these impacts and ensure on-time order delivery. The Group will also employ the cost pass-through mechanism with its customers in response to the global currency fluctuations to maintain its profit margins.

To maintain Town Ray's competitive advantages in the electrothermic household appliances market and to further capture the market opportunities from the stay-at-home economy, the Group will continue investing resources in product research and development and will target to launch new models of cooking appliance products in the coming years for diversifying its product mix. Going forward, the Group will also continually develop new and more sophisticated features for existing products, which will add value for brands and end consumers.

China's economy continued to demonstrate its resilience during the first half of 2021 and is expected to continue its steady growth going forward. The National Bureau of Statistics announced that the country's gross domestic product increased 7.9% in the second quarter of 2021, with industrial production and retail sales being the key growth drivers. 2021 also marks the start of China's 14th Five-Year Plan, which emphasises promoting local retail and consumption and establishing an inner-circulation economic model. Under this environment, the Group sees great market potential in China. The Group is currently exploring the most effective approach to tap into the Chinese consumer market with its self-owned brand, while increasing efforts on developing Industry 4.0 production lines, enhancing digitalisation and further automation in manufacturing to boost production capacity and efficiency.

Overall, the Group is cautiously optimistic about the long-term growth of the electrothermic household appliances market. Although the situation with the Pandemic is ever-evolving, and market downsides such as logistics disruption and raw materials shortage continue to cast uncertainty over the business environment, the Group has achieved encouraging results for two consecutive years amidst these challenges. This reflects the success of the Group's development strategies and corporate agility. Heading into the second half of 2021, Town Ray will continue to leverage its expertise and competitive advantages in the electrothermic household appliances market to bring long-term values to its customers and shareholders.

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by approximately HK$76.2 million or approximately 34.1% from approximately HK$223.8 million for the six months ended 30 June 2020 to approximately HK$300.0 million for the six months ended 30 June 2021. Such increase was mainly attributable to the increase in the sales of cooking appliances during the Period.

Gross Profit and Gross Profit Margin

The gross profit margin of the Group decreased by 3.9 percentage points from approximately 33.4% for the six months ended 30 June 2020 to approximately 29.5% for the six months ended 30 June 2021. The decrease in gross profit margin were mainly attributable to (1) appreciation in RMB against USD; and (2) increasing raw material costs. The gross profit of the Group increased from approximately HK$74.8 million for the six months ended 30 June 2020 to approximately HK$88.4 million for the six months ended 30 June 2021, representing an increase of approximately 18.2%. The increase in gross profit was primarily attributable to the increase in sales of cooking appliances during the Period.

Other Income

Other income of the Group decreased from approximately HK$2.3 million for the six months ended 30 June 2020 to approximately HK$1.6 million for the six months ended 30 June 2021. Such decrease was mainly attributable to the decrease in the bank interest income from approximately HK$1.2 million for the six months ended 30 June 2020 to approximately HK$0.7 million for the six months ended 30 June 2021.

General and Administrative Expenses

General and administrative expenses of the Group increased from approximately HK$28.5 million for the six months ended 30 June 2020 to approximately HK$37.3 million for the six months ended 30 June 2021. Such increase was due to the increase in employee benefit expense (including directors' remuneration) and there was no temporary reduction and exemption of payment of social insurance premium in the PRC for the six months ended 30 June 2021 as compared to the corresponding period in 2020.

Finance Costs

Finance costs of the Group decreased from approximately HK$1.0 million for the six months ended 30 June 2020 to approximately HK$0.4 million for the six months ended 30 June 2021. Such decrease was due to the decrease of approximately HK$0.3 million in interest on bank loans for operations and approximately HK$0.3 million in interest on lease liabilities for the six months ended 30 June 2021.

Income tax expense

The income tax expense of the Group decreased by approximately HK$1.5 million, representing a decrease of approximately 17.8%, from approximately HK$8.5 million for the six months ended 30 June 2020 to approximately HK$7.0 million for the six months ended 30 June 2021. The decrease was primarily attributable to the preferential corporate income tax ("**CIT**") rate at 15% for the six months ended 30 June 2021 applicable to Town Ray Electrical (Huizhou) Limited ("**TREHZ**"), a subsidiary of the Company established in the PRC, which was awarded the status of High and New Technology Enterprise by the government of the PRC in the second half of 2020. In comparison, statutory CIT rate at 25% was applicable to TREHZ for the six months ended 30 June 2020, The effective tax rate was approximately 19.7% and 15.2% for the six months ended 30 June 2020 and 2021, respectively.

Net profit

As a result of the foregoing, the profit of the Group increased by approximately HK$4.4 million, or approximately 12.5%, from approximately HK$34.8 million for the six months ended 30 June 2020 to approximately HK$39.2 million for the six months ended 30 June 2021. The net profit margin for the six months ended 30 June 2020 and 2021 were approximately 15.6% and 13.1%, respectively, representing a decrease of approximately 2.5 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 six months ended 30 June 2021.

CAPITAL COMMITMENTS

As at 30 June 2021, the Group has capital commitments in respect of purchases of property, plant and equipment, which had been contracted but not provided for in the interim condensed consolidated financial information, in the total amount of approximately HK$5.9 million, of which approximately HK$3.0 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 six months ended 30 June 2021.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any material contingent liabilities (as at 31 December 2020: nil).

FOREIGN EXCHANGE EXPOSURE

The Group undertakes certain transactions denominated in foreign currencies, mainly USD and RMB, hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. As at 30 June 2021, the Group did not have any foreign currency investments which have been hedged by currency borrowing and other hedging instruments. However, management monitors foreign exchange exposure closely to keep the net exposure to an acceptable level.

GEARING RATIO

As at 30 June 2021, the gearing ratio of the Group (calculated by the total of interest-bearing bank borrowings divided by total equity) was approximately 12.3% (as at 31 December 2020: approximately 12.8%). Such decrease was mainly due to the decrease in interest-bearing 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 30 June 2021, the Group had cash and cash equivalents of approximately HK$188.9 million (as at 31 December 2020: approximately HK$223.9 million). The gearing ratio of the Group as at 30 June 2021 was approximately 12.3% (as at 31 December 2020: approximately 12.8%). As at 30 June 2021, the current ratio of the Group was approximately 2.2 times (as at 31 December 2020: approximately 2.6 times). The financial resources presently available to the Group include bank borrowings and the Net Proceeds, the Directors are of the view that the Group has sufficient working capital for its future requirements.

There was no change in the capital structure of the Group during the six months ended 30 June 2021.

DEBTS AND CHARGE ON ASSETS

The total interest-bearing bank borrowings of the Group amounted to approximately HK$36.6 million as at 30 June 2021 (as at 31 December 2020: approximately HK$39.6 million). As at 30 June 2021, the Group had a pledged deposit of approximately HK$0.1 million in support of the issue of a letter of credit by a bank. Other than the above, no charge was made or subsisting on assets of the Group as at 30 June 2021.

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 outbreak of 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 30 June 2021, the Group has a total of 881 full-time employees (as at 31 December 2020: 792). 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 six months ended 30 June 2021 was approximately HK$40.1 million (during the six months ended 30 June 2020: approximately HK$33.8 million).

USE OF PROCEEDS

The Net Proceeds of the Share Offer received by the Group in relation to the listing (the "**Listing**") of its shares on The Stock Exchange of Hong Kong Limited on 25 October 2019 (the "**Listing Date**") were approximately HK$90.7 million, after deducting the underwriting fees and related expenses. Part of the Net Proceeds were applied from the Listing to 30 June 2021 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 30 June 2021:

		Total Planned use of Net Proceeds *HK$ million*	Actual use of Net Proceeds from the Listing Date to 30 June 2021 *HK$ million*	Remaining balance of Net Proceeds as at 30 June 2021 *HK$ million*	Expected timeline for the intended use
(A)	Upgrading production facilities and enhancing production capacity	50.4	21.6	28.8	By December 2021
(B)	Strengthening product design and development capabilities and increasing product offerings	31.6	8.6	23.0	By December 2022
(C)	Strengthening customer base	3.0	1.8	1.2	By December 2022
(D)	Upgrading information technology systems	5.7	0.6	5.1	By June 2022
Total		90.7	32.6	58.1	

From the Listing Date to 30 June 2021, the Company utilised approximately HK$32.6 million of Net Proceeds and the unutilised Net Proceeds amounted to approximately HK$58.1 million (the "**Unutilised Net Proceeds**"). On 23 July 2020, the Board resolved to revise the schedule of the use of the Unutilised Net Proceeds, after having considered the impact of the outbreak of the Pandemic to the economy, the business environment and the customers' demand. The Board is of the view that the revised expected timeline for utilisation of the Net Proceeds would be in the interest of the Company and the shareholders as a whole. For further information in relation to the change in schedule of the use of the Unutilised Net Proceeds, please refer to the announcement of the Company dated 23 July 2020.

DIVIDEND

The Directors resolved to declare an interim dividend of HK9.8 cents per share (the "**Interim Dividend**"), totalling approximately HK$35.2 million for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK$32.0 million), to shareholders whose names appear on the register of members of the Company (the "**Register of Members**") at the close of business on Friday, 17 September 2021 as the record date. The Interim Dividend is expected to be paid to the qualifying shareholders on Friday 24 September 2021.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlement of receiving the Interim Dividend of the shareholders of the Company, the Register of Members will be closed from Wednesday, 15 September 2021 to Friday, 17 September 2021, the period during which no transfer of shares will be effected. The Interim Dividend is expected to be paid to the qualifying shareholders on Friday, 24 September 2021. In order to qualify for receiving the Interim Dividend, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 14 September 2021.

EVENTS AFTER THE REPORTING PERIOD

The Group had no material events for disclosure subsequent to 30 June 2021 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company believes that an effective corporate governance framework is fundamental to maintaining and promoting investors' confidence, safeguarding interests of shareholders and other stakeholders and enhancing shareholders' value. The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") under Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") as its own code of corporate governance. In the opinion of the Directors, the Company has complied with the provisions set out in the CG Code during the six months ended 30 June 2021 and up to the date of this announcement.

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**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. After having made specific enquiry of all the Directors, each of the Directors confirmed that he/she has fully complied with the required standards set out in the Model Code during the six months ended 30 June 2021 and up to the date of this announcement.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 3 October 2019 with specific written terms of reference which clearly sets out 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 unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 has not been audited or reviewed by auditor, but has been reviewed by the Audit Committee, who is of the opinion that the unaudited interim condensed consolidation financial information has complied with the applicable accounting standards, the Listing Rules, and that adequate disclosures have been made.

APPRECIATION

On behalf of the Board, I would like to extend my gratitude to the management and all of our staff for their dedication and commitment, as well as our business partners, customers and shareholders for their continuous support to the Group.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND THE INTERIM REPORT

This interim 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 interim report of the Company for the six months ended 30 June 2021 will be dispatched to the shareholders of the Company and published on the above websites according to the Listing Rules.

By order of the Board
TOWN RAY HOLDINGS LIMITED
Chan Kam Kwong Charles
Chairman and non-executive Director

Hong Kong, 13 August 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.