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 2021 AND PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately HK$221.4 million or approximately 40.9% from approximately HK$541.7 million for the year ended 31 December 2020 to approximately HK$763.1 million for the year ended 31 December 2021.
- Gross profit increased by approximately 20.1% from approximately HK$184.0 million for the year ended 31 December 2020 to approximately HK$221.0 million for the year ended 31 December 2021.
- Gross profit margin decreased from approximately 34.0% for the year ended 31 December 2020 to approximately 29.0% for the year ended 31 December 2021.
- Profit attributable to the equity holders of the Company for the year ended 31 December 2021 increased by approximately HK$2.3 million or approximately 2.2% from approximately HK$104.2 million for the year ended 31 December 2020 to approximately HK$106.5 million for the year ended 31 December 2021.
- Basic earnings per share was approximately HK29.67 cents for the year ended 31 December 2021 and approximately HK27.53 cents for the year ended 31 December 2020.
- The board has proposed a final dividend of HK16.0 cents per share in respect of the year ended 31 December 2021, which is subject to the approval of the Company's shareholders at the 2022 AGM.

The board (the "**Board**") of directors (the "**Directors**") of Town Ray Holdings Limited (the "**Company**" or "**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 2021, together with the comparative figures for the corresponding year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	**2021** *HK$'000*	2020 *HK$'000*
REVENUE	*4*	**763,085**	541,697
Cost of sales		**(542,097)**	(357,660)
Gross profit		**220,988**	184,037
Other income and gain, net	*4*	**4,522**	13,171
Selling and distribution expenses		**(14,648)**	(10,142)
General and administrative expenses		**(84,515)**	(63,234)
Other expense, net		**357**	566
Finance costs		**(840)**	(1,657)
PROFIT BEFORE TAX	*5*	**125,864**	122,741
Income tax expense	*6*	**(19,360)**	(18,549)
PROFIT FOR THE YEAR		**106,504**	104,192
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic and diluted		**HK29.67 cents**	HK27.53 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2021

	2021	2020
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**106,504**	104,192
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of a foreign operation	**3,577**	5,638
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**110,081**	109,830

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**51,910**	38,825
Right-of-use assets		**35,151**	11,910
Deposits paid for purchases of items of property, plant and equipment		**18,697**	4,434
Prepayment and deposit		**65**	83
Deferred tax assets		**1,138**	898
Total non-current assets		**106,961**	56,150
CURRENT ASSETS			
Inventories		**206,732**	82,420
Trade receivables	*9*	**119,079**	90,837
Prepayments, deposits and other receivables		**27,011**	20,439
Tax recoverable		**3,683**	–
Pledged deposits		**88**	1,103
Cash and cash equivalents		**144,923**	223,945
Total current assets		**501,516**	418,744
CURRENT LIABILITIES			
Trade payables	*10*	**90,573**	74,485
Other payables and accruals		**61,024**	32,054
Interest-bearing bank borrowings		**80,144**	39,605
Lease liabilities		**13,073**	12,553
Tax payable		**3,471**	3,977
Total current liabilities		**248,285**	162,674
NET CURRENT ASSETS		**253,231**	256,070
TOTAL ASSETS LESS CURRENT LIABILITIES		**360,192**	312,220
NON-CURRENT LIABILITIES			
Lease liabilities		**22,100**	13
Deferred tax liabilities		**5,906**	3,224
Total non-current liabilities		**28,006**	3,237
Net assets		**332,186**	308,983
EQUITY			
Issued capital		**3,590**	3,590
Reserves		**328,596**	305,393
Total equity		**332,186**	308,983

NOTES

31 December 2021

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 ("**HKICPA**"), 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 following revised HKFRSs for the first time for the current year's financial statements.

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 the 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 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 ("**HIBOR**") and United States dollars based on the London Interbank Offered Rate ("**LIBOR**") as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. For the LIBOR-based borrowings, since the interest rates of these borrowings were not replaced by RFRs during the year, the amendments 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 the above-mentioned 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. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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	*Reference to the Conceptual Framework*[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 HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

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

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

3 No mandatory effective date yet determined but available for adoption

4 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

5 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

	2021	2020
	HK$'000	*HK$'000*
Europe	**676,468**	495,220
Asia	**41,100**	30,325
United States	**43,259**	13,198
Others	**2,258**	2,954
	763,085	541,697

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

(b) Non-current assets

	2021	2020
	HK$'000	*HK$'000*
Hong Kong	**13,156**	1,804
Mainland China	**92,667**	53,365
	105,823	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:

	2021	2020
	HK$'000	*HK$'000*
Customer A	**293,004**	268,655
Customer B	**96,707**	N/A*
Customer C	**80,242**	70,678

* Less than 10% of revenue

4. REVENUE, OTHER INCOME AND GAIN, NET

An analysis of revenue is as follows:

	2021	2020
	HK$'000	*HK$'000*
Revenue from contracts with customers	**763,085**	541,697

Revenue from contracts with customers

(a) Disaggregated revenue information

	2021	2020
	HK$'000	*HK$'000*
Types of goods		
Sale of electrothermic household appliances	**754,849**	540,940
Sale of tooling	**8,236**	757
Total revenue from contracts with customers	**763,085**	541,697
Timing of revenue recognition		
Goods transferred at a point in time	**763,085**	541,697

(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 gain, net is as follows:

	2021	2020
	HK$'000	*HK$'000*
Bank interest income	**1,236**	2,193
Consultancy income	**1,276**	827
Government subsidies*	**906**	3,500
Foreign exchange differences, net	**605**	5,662
Others	**499**	989
	4,522	13,171

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

5. PROFIT BEFORE TAX

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

	2021	2020
	HK$'000	*HK$'000*
Cost of inventories sold	**542,097**	357,660
Depreciation of property, plant and equipment*	**13,769**	9,804
Depreciation of right-of-use assets*	**12,077**	11,303
Reversal of impairment of trade receivables, net^	**(357)**	(566)
Write-down/(reversal of write-down) of inventories to net realisable value*	**(1,184)**	1,353

* The cost of sales for the year included depreciation charge of property, plant and equipment of HK$12,223,000 (2020: HK$8,496,000), depreciation charge of right-of-use assets of HK$9,797,000 (2020: HK$9,126,000) and reversal of write-down of inventories to net realisable value of HK$1,184,000 (2020: write-down of inventories to net realisable value of HK$1,353,000).

^ Included in "Other expense, 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% (2020: 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 (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.

	2021	2020
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**10,519**	14,188
Overprovision in prior years	**(10)**	(20)
Current — Mainland China		
Charge for the year	**6,485**	2,552
Underprovision in prior years	**34**	–
Deferred	**2,332**	1,829
Total tax charge for the year	**19,360**	18,549

7. DIVIDENDS

	2021	2020
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
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
Interim 2021 — HK9.8 cents (2020: HK8.9 cents) per ordinary share	**35,182**	31,951
	86,878	74,233
Dividend proposed after the end of the reporting period:		
Proposed final 2021 — HK16.0 cents (2020: HK14.4 cents) per ordinary share	**57,440**	51,696

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$106,504,000 (2020: HK$104,192,000), and the weighted average number of ordinary shares of 359,000,000 (2020: 378,417,279) in issue during the year, as adjusted to exclude the shares repurchased during the year ended 31 December 2020.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

9. TRADE RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**119,180**	91,295
Impairment	**(101)**	(458)
	119,079	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:

	2021	2020
	HK$'000	*HK$'000*
Within 30 days	**53,597**	44,162
31 to 90 days	**63,211**	41,889
Over 90 days	**2,271**	4,786
	119,079	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:

	2021	2020
	HK$'000	*HK$'000*
Within 30 days	**29,549**	26,454
31 to 90 days	**58,701**	40,424
Over 90 days	**2,323**	7,607
	90,573	74,485

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

BUSINESS REVIEW

2021 was another record high year for Town Ray in terms of financial results, with continuous growth achieved in both revenue and profit for three consecutive years, despite the evolving pandemic ("**Pandemic**") and its ripple effect on the global market in the past two years.

In 2021, there was no doubt that all governments had been taking actions to mitigate the socio-economic impact of the prolonged Pandemic and support the recovery. In Europe (where most of the Group's key customers are headquartered), as vaccination campaigns progressed and anti-Pandemic restrictions started to be lifted, economic growth resumed in spring of 2021 and continued unabated through summer, underpinned by the re-opening of the economy in the second half of 2021. With the rebound of the overall consumer sentiment, the demand for electrothermic household appliances continued its growth momentum as people still spent more time at home and brands restarted their marketing and product launch plans. The Group's cooking appliances segment seized the opportunities with new models launched to market in time and successfully expanded to new geographic markets, which further diversified its clientele. The average selling price of the Group's cooking appliances had also been raised, thanks to the introduction of new product features. The expanded production lines of the Group had been operating at full capacity to fulfill its growing order book.

Despite the market demand recovery, the international trade and supply chains were heavily disrupted by the Pandemic, which had affected product delivery throughout the year ended 31 December 2021 (the "**Year**"). The shortage of raw materials and shipping containers, caused by on and off travel restrictions and lockdown measures in different regions, had resulted in raw materials prices hikes and delivery schedule delays. The appreciation of the Renminbi ("**RMB**") against the United States dollars ("**USD**") also inevitably increased the Group's operating costs. The power supply shortage in China in the second half of 2021, however, did not have impact on the Group's production. In summary, Town Ray was still the most preferred supplier of its customers for it had demonstrated its resilience and agility over the unprecedented challenges by keeping its excellent service commitment and ensuring product delivery to its customers.

PROSPECTS

Looking into 2022, the business environment is no less complicated, yet Town Ray is cautiously optimistic that there are new opportunities amid challenges. In step with the international market expansions of the Group's customers, a number of new models will be launched with various features by the Group, which adopted to cater for consumers' needs. It is believed that these catalysts would continue to fuel the Group's growth momentum in 2022.

Being entrusted by its customers in supporting their business development and growth, it would be an unwavering task for Town Ray in its advancement to provide the best quality, best design, best value products to its customers with best service and communications. In the first quarter of 2022, the Group has also started its test run of its Industry 4.0 production lines with enhanced digitalisation and further automation to boost production efficiency. Additional resources have also been allocated to upgrade and digitalise its organisational management, operation flows and internal communications with the latest IT systems to expedite the full implementation of the Industry 4.0 smart manufacturing and management. In response to the Chinese national targets for carbon peaking by 2030 and carbon neutrality by 2060, the Group has also been working on its manufacturing facility upgrade for energy saving and reducing environmental impact. The Group planned to achieve a 15% reduction of emission, hazardous wastes and water consumption per production unit by 2025 from the base year of 2020. Town Ray believes that its commitment to environmental protection to build a greener and healthier environment is important to the sustainability of the world, its community as well as its business.

The latest wave of the Pandemic, driven by the highly transmissible OMICRON variant, may cast gloom over the business environment's recovery. Higher vaccine coverage, improved treatments and reduced mortality over the globe have been observed, and yet the evolution of the virus, outbreaks and respective mitigation measures are all expected to go on for some time. Therefore, the global supply chain disruption is expected to continue. The stability of the raw material supply and prices could thus be affected, putting pressure again on manufacturers and exporters in China. The Group will maintain its close communication with customers and suppliers and its sourcing capability for alternative solutions, which have proven to be an advantage of the Group to minimise the impacts to its profitability in 2021. In the meantime, the Group has adjusted upward the average selling price of its products. This does not only protect the Group's profitability from the potential fluctuation of costs but also proves its pricing power and its indispensable role in the value chain.

In conclusion, Town Ray sees ample opportunities in the electrothermic household appliances market despite the challenges in the macro environment. The Group will stay agile and responsive to the changes and pursue fruitful and sustainable values for its customers and shareholders ("**Shareholder(s)**") by leveraging on its expertise, excellent management and execution.

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by approximately HK$221.4 million or approximately 40.9% from approximately HK$541.7 million for the year ended 31 December 2020 to approximately HK$763.1 million for the year ended 31 December 2021. Such increase was mainly attributable to the increase in the sales of cooking appliances during the Year.

Gross Profit and Gross Profit Margin

The gross profit margin of the Group decreased by 5.0 percentage points from approximately 34.0% for the year ended 31 December 2020 to approximately 29.0% for the year ended 31 December 2021. The decrease in gross profit margin was mainly attributable to the appreciation in RMB against USD and the increase in raw material costs. The gross profit of the Group increased from approximately HK$184.0 million for the year ended 31 December 2020 to approximately HK$221.0 million for the year ended 31 December 2021, representing an increase of approximately HK$37.0 million or approximately 20.1%. The increase in gross profit was primarily attributable to the increase in sales of cooking appliances during the Year.

Other Income and Gain, Net

Other income and gain, net of the Group decreased from approximately HK$13.2 million for the year ended 31 December 2020 to approximately HK$4.5 million for the year ended 31 December 2021. Such decrease was due to the Group recorded an exchange gain of approximately HK$5.7 million and the receipt of government subsidies of approximately HK$3.5 million for the year ended 31 December 2020, while the Group only recorded an exchange gain of approximately HK$0.6 million and the receipt of government subsidies of approximately HK$0.9 million for the year ended 31 December 2021.

General and Administrative Expenses

General and administrative expenses of the Group increased from approximately HK$63.2 million for the year ended 31 December 2020 to approximately HK$84.5 million for the year ended 31 December 2021, representing an increase of approximately HK$21.3 million. Such increase was due to the increase in employee benefit expense (including directors' remuneration) from approximately HK$38.5 million for the year ended 31 December 2020 to approximately HK$55.9 million for the year ended 31 December 2021, representing an increase of approximately HK$17.4 million. Increase in employee benefit expense was due to the increase in directors' remuneration, the increase in the total number of staff during the Year and the absence of temporary reduction and exemption of payment of social insurance premium in the PRC during the Year.

Finance Costs

Finance costs of the Group decreased from approximately HK$1.7 million for the year ended 31 December 2020 to approximately HK$0.8 million for the year ended 31 December 2021. Such decrease was due to the decrease in approximately HK$0.7 million in interest on lease liabilities and decrease in approximately HK$0.2 million in interest on bank loans for operations during the Year.

Income Tax Expense

The income tax expense of the Group slightly increased by approximately HK$0.8 million, representing an increase of approximately 4.4%, from approximately HK$18.5 million for the year ended 31 December 2020 to approximately HK$19.3 million for the year ended 31 December 2021. The effective tax rate was approximately 15.1% and 15.4% for the years ended 31 December 2020 and 2021, respectively.

Net Profit

As a result of the foregoing, the net profit of the Group increased by approximately HK$2.3 million, or approximately 2.2%, from approximately HK$104.2 million for the year ended 31 December 2020 to approximately HK$106.5 million for the year ended 31 December 2021. The net profit margin of the Group for the years ended 31 December 2020 and 2021 were approximately 19.2% and 14.0%, respectively, representing a decrease of approximately 5.2 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.

CAPITAL COMMITMENTS

As at 31 December 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 consolidated financial statements, in the total amount of approximately HK$78.7 million, of which approximately HK$7.6 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 2021.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any material contingent liabilities (2020: 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 2021, 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group entered into the provisional agreement for sales and purchase of property which is located at Workshop A on 25th Floor, Reason Group Tower, No. 403 Castle Peak Road, Kwai Chung, New Territories ("**Workshop 25A**") with an independent third party at a consideration of approximately HK$49.7 million on 1 September 2021. The acquisition of Workshop 25A was completed on 18 January 2022. As one or more of the applicable percentage ratios set out in Rule 14.07 of the Rules Governing the Listing of Securities ("**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in respect of the acquisition of Workshop 25A exceeded 5% but all were less than 25%, the acquisition of Workshop 25A constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules. For further information in relation to this acquisition, please refer to the announcement of the Company dated 1 September 2021 and 3 September 2021.

The Group also entered into the provisional agreements for sales and purchase of properties which are located at Car Parking Space No. P1, P2, P3, P4 and P14 on the Ground Floor ("**Car Parking Spaces**") and Workshop D & E on 12th Floor, Reason Group Tower, No. 403 Castle Peak Road, Kwai Chung, New Territories ("**Workshop 12D&E**") with respective independent third parties at considerations of approximately HK$11.0 million on 6 September 2021 and approximately HK$16.3 million on 27 October 2021, respectively. The acquisition of Workshop 12D&E was completed on 19 January 2022 and the completion of the acquisition of Car Parking Spaces is expected to be on 30 April 2022. Upon completion of the acquisition of Workshop 25A and Workshop 12D&E, the Company intended to relocate the existing workshop, godown and ancillary office of the Group in Hong Kong to Workshop 25A and Workshop 12D&E. Upon completion of the acquisition of Car Parking Spaces, they would also be self-used by the Group.

Save as disclosed above, the Group did not have any specific plans for material investments and capital assets as at 31 December 2021.

GEARING RATIO

As at 31 December 2021, the gearing ratio of the Group (calculated by the total of interest-bearing bank borrowings divided by total equity) was approximately 24.1% (2020: approximately 12.8%). Such increase was mainly due to the increase 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 31 December 2021, the Group had cash and cash equivalents of approximately HK$144.9 million (2020: approximately HK$223.9 million). The gearing ratio of the Group as at 31 December 2021 was approximately 24.1% (2020: approximately 12.8%). As at 31 December 2021, the current ratio of the Group was approximately 2.0 times (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 Year.

DEBTS AND CHARGE ON ASSETS

The total interest-bearing bank borrowings of the Group amounted to approximately HK$80.1 million as at 31 December 2021 (2020: approximately HK$39.6 million). As at 31 December 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 31 December 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 falls 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 macroeconomic 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 date 15 October 2019 (the "**Prospectus**").

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group has a total of 866 full-time employees (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 year ended 31 December 2021 was approximately HK$94.1 million (2020: approximately HK$73.4 million).

ENVIRONMENTAL POLICIES AND PERFORMANCE

As the production of the Group mainly takes place in PRC, 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, 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, which will be published on the Group's website according to the requirements under the Listing Rules.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year 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.

In the opinion of the Directors, the Company has complied with all the code provisions set out in the CG Code during the Year and up to the date of this announcement. For further information in respect of the corporate governance of the Group during the Year, please refer to the corporate governance report in the annual report for the Year, which will be published in April 2022 according to the requirements under the Listing Rules.

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 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 Date to 31 December 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. On 23 July 2020, the Board resolved to revise the schedule of the use of the unutilised net proceeds (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, details of which were announced by the Company in its announcement dated 23 July 2020. The below table sets out the proposed application and actual usage of the Net Proceeds as at 31 December 2021:

	Total planned use of Net Proceeds *HK$ million*	**Actual use of Net Proceeds from the Listing Date to 31 December 2021** *HK$ million*	**Remaining balance of Net Proceeds as at 31 December 2021** *HK$ million*	**Expected timeline for the intended use**
(A) Upgrading production facilities and enhancing production capacity	50.4	34.5	15.9	By December 2022
(B) Strengthening product design and development capabilities and increasing product offerings	31.6	11.2	20.4	By December 2022
(C) Strengthening customer base	3.0	2.1	0.9	By December 2022
(D) Upgrading information technology systems	5.7	1.0	4.7	By June 2022
Total	90.7	48.8	41.9	

From the Listing Date to 31 December 2021, the Company utilised approximately HK$48.8 million of Net Proceeds and the Unutilised Net Proceeds amounted to approximately HK$41.9 million. There has been delay in the use of the Net Proceeds for upgrading production facilities and enhancing production capacity during the Year due to a delay in the upgrading schedule and for some of the machineries and equipment, the Group has placed orders but, under the relevant contracts, the Group has not yet required to make full payment under the agreed payment schedule. It is expected that the portion of the Net Proceeds allocated to upgrading production facilities and enhancing production capacity will be fully utilised by 31 December 2022.

DIVIDEND

The Directors recommended the payment of a final dividend of HK16.0 cents per share for the year ended 31 December 2021 (2020: HK14.4 cents). Payment of the final dividend is subject to the Shareholders' approval in the annual general meeting of the Company scheduled to be held on Friday, 27 May 2022 ("**2022 AGM**").

ANNUAL GENERAL MEETING

The 2022 AGM is scheduled to be held on Friday, 27 May 2022. A notice convening the 2022 AGM specifying the exact time, venue and/or mode of participation by the Shareholders 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 who will be entitled to attend and vote at the 2022 AGM, the Register of Members will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022, 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 2022 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, 23 May 2022.

Subject to the approval of the Shareholders at the 2022 AGM approving the payment of the final dividend, to ascertain the entitlement of the final dividend of the Shareholders, the Register of Members will be closed from Thursday, 2 June 2022 to Tuesday, 7 June 2022, the period during which no transfer of shares will be effected. The final dividend, if approved at the 2022 AGM, is expected to be paid on or before Wednesday, 15 June 2022. 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, 1 June 2022.

EVENTS AFTER THE REPORTING PERIOD

As disclosed in the paragraph headed "Future Plans and Material Investments and Capital Assets" in this announcement above, the acquisition of Workshop 25A was completed on 18 January 2022. The acquisition of Workshop 12D&E was also completed on 19 January 2022.

Save as disclosed above, the Group had no other material events for disclosure subsequent to 31 December 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 Year.

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.

After having made specific enquiry of all Directors, each of the Directors confirmed that he/she has fully complied with the required standards set out in the Model Code during the year ended 31 December 2021 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 2021 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 2021 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 2021 will be despatched to the Shareholders and published on the above websites according to the requirements under the Listing Rules in April 2022.

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.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board proposes to amend the existing articles of association of the Company ("**Articles**") in order to bring the Articles in line with the latest legal and regulatory requirements, including the amendments made to Appendix 3 to the Listing Rules which took effect on 1 January 2022.

The proposed amendments to the Articles ("**Proposed Amendments**") are summarised below:

1. to specify that the Company shall hold an annual general meeting within six months after the end of the Company's financial year;

2. to provide that all Shareholders shall have the right to (i) speak at a general meeting of the Company; and (ii) vote at a general meeting of the Company, except where a Shareholder is required, by the Listing Rules, or the rules, codes or regulations of any competent regulatory authority, to abstain from voting to approve the matter under consideration;

3. to provide that in addition to the right to convene an extraordinary general meeting on the requisition of one or more Shareholders holding not less than one tenth (1/10th) of the paid up capital of the Company having the right of voting at general meetings, such Shareholder(s) shall also have the right to add resolutions to the meeting agenda of a general meeting;

4. to provide that the branch register of Shareholders in Hong Kong may be closed on terms equivalent to section 632 of the Companies Ordinance (Chapter 622 of the Laws in Hong Kong); and

5. to make other necessary amendments for updating the Articles and better aligning with the wording in the applicable laws of Cayman Islands and the Listing Rules.

The Proposed Amendments are subject to consideration and approval by the Shareholders by way of a special resolution at the 2022 AGM. A circular containing, among other things, particulars relating to Proposed Amendments together with a notice convening the 2022 AGM will be despatched to the Shareholders according to the applicable law, the Articles and the Listing Rules.

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

Hong Kong, 18 March 2022

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.