



INTERIM REPORT 2022

登輝控股有限公司 Town Ray Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1692



CONTENTS

- 2-3** Corporate Information
- 4-12** Management Discussion and Analysis
- 13-23** Corporate Governance and Other Information
- 24** Interim Condensed Consolidated Statement of Profit or Loss
- 25** Interim Condensed Consolidated Statement of Comprehensive Income
- 26-27** Interim Condensed Consolidated Statement of Financial Position
- 28** Interim Condensed Consolidated Statement of Changes in Equity
- 29** Interim Condensed Consolidated Statement of Cash Flows
- 30-44** Notes to Interim Condensed Consolidated Financial Information



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Wai Ming
(Chief Executive Officer)
Mr. Chiu Wai Kwong
Ms. Tang Mei Wah
Mr. Yu Kwok Wai

Non-executive Directors

Dr. Chan Kam Kwong Charles
(Chairman)
Ms. Cheng Yuk Sim Connie
*(also known as
Ms. Cheng Yuk Yee Connie)*

Independent Non-executive Directors

Mr. Chan Ping Yim
Mr. Choi Chi Leung Danny
Mr. Chan Shing Jee

BOARD COMMITTEES

Audit Committee

Mr. Chan Ping Yim *(Chairman)*
Mr. Choi Chi Leung Danny
Mr. Chan Shing Jee

Remuneration Committee

Mr. Chan Shing Jee *(Chairman)*
Mr. Chan Ping Yim
Mr. Choi Chi Leung Danny

Nomination Committee

Mr. Choi Chi Leung Danny *(Chairman)*
Mr. Chan Ping Yim
Mr. Chan Shing Jee

COMPANY SECRETARY

Mr. Chiu Wai Kwong

AUTHORISED REPRESENTATIVES

Mr. Chan Wai Ming
Mr. Chiu Wai Kwong

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

10th Floor, Block A
Chung Mei Centre
15 Hing Yip Street, Kwun Tong
Kowloon
Hong Kong
*(ceased to have effect from
5 September 2022)*

Workshop A, 25th Floor
Reason Group Tower
No. 403 Castle Peak Road - Kwai Chung
Kwai Chung
New Territories
Hong Kong
(with effect from 5 September 2022)

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
*(ceased to have effect from
15 August 2022)*

17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong
(with effect from 15 August 2022)

LEGAL ADVISER

(As to Hong Kong law)
ONC Lawyers
19/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (Hong Kong) Limited

AUDITOR

Ernst & Young
*Certified Public Accountants
Registered Public Interest Entity Auditor*
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

COMPANY'S WEBSITE

www.townray.com

STOCK CODE

1692

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

Town Ray Holdings Limited (the “**Company**”, or “**Town Ray**”, together with its subsidiaries, collectively, the “**Group**”) is an advanced product developer, industrial designer, manufacturer, and supplier for a broad range of mid-to-high-end electrothermic household appliances to internationally renowned brands in overseas markets, covering over 30 countries and regions, with many of the Group’s customers being reputable and well-developed international brands. The Group’s electrothermic household products are grouped into two categories, namely (i) garment care appliances, including steam generator irons, garment steamers and steam irons; and (ii) cooking appliances, including coffee machines, steam cooking appliances and other cooking appliances.

BUSINESS REVIEW

Town Ray has demonstrated its strong resilience and delivered another set of outstanding financial results for the six months ended 30 June 2022 (the “**Period**”) against the backdrop of complicated challenges including the continuous outbreak of the COVID-19 pandemic (the “**Pandemic**”) globally, lockdown of cities in China, the lingering global supply chain disruption and the Russia-Ukraine conflict that aggravated global inflation.

During the Period, the business momentum of Town Ray continued to march on, thanks to the increase in global vaccination coverage and the lifting of the Pandemic-related restrictions in European countries, where most of the Group’s key customers are located. The Group’s brand customers continued to roll out marketing campaigns and new products to capture the long-suppressed consumption power rebound in the West. New orders of products with brand-new styles and features also enhanced the product portfolio of the Group and allowed the Group to sell the products at a higher average selling price.

Despite the widespread Pandemic outbreak in multiple cities in China that resulted in stringent lockdown and temporary suspension of economic activities from February to May 2022, the production in the Group’s factory in Huizhou continued to operate as usual to meet its delivery schedule. Ensuring product delivery commitments amid the disruption of raw material supply and logistics was not easy. It could only be achieved by the Group’s plan-ahead strategies, its rigorous Pandemic control team as well as its frequent and effective communications with local government, customers, and suppliers, to ensure excellence in every aspect to avoid production and delivery interruption.

MANAGEMENT DISCUSSION AND ANALYSIS

In the second quarter of 2022, military hostilities between Russia and Ukraine escalated and led to disruption in the supply of commodities, raw materials and energy that drove up production costs for many industries, as well as triggered a rise in consumers' prices. Nevertheless, the unexpected geopolitical incident had minimal impact on the product demand from the Group's major customers, which are leading players in their respective markets. Accordingly, with bulk orders and sufficient raw materials secured on hand, Town Ray's production and delivery had been completed as scheduled.

PROSPECTS

Stepping into the second half of 2022, Town Ray is cautious about the ongoing global challenges yet optimistic about its business agility in maintaining steady growth. The Russia-Ukraine war has cast shadow over the economic outlook of Europe as a result of the soaring food and commodity prices for the public. However, statistics from Eurostat, the statistical office of the European Union, showed that unemployment rate is at a record low in the Euro area and households are expected to keep on spending the savings accumulated during the lockdown. Owing to the encouraging resilience of Europe, the order book of Town Ray for the remainder of the year is satisfactory. Still, to cope with the potential shrinking of consumer spending, Town Ray will put greater efforts into product development and innovation to keep its product competitive. Customer diversification will also continue to be a key for the Group's long-term growth to maintain its business stability and sustainability.

Following the production capacity expansion plan in its Huizhou factory, new production lines and machines have been in place and commenced operation as planned. This year, the Group focuses on the technical updates with Industry 4.0 modules to incorporate a greater degree of digitalisation and automation to heighten its production efficiency. Upon completion, extra production capacity will be devised to support the Group's new market development.

As macroeconomic and political uncertainties persist, effective communications with customers and business partners would be crucial for the Group to keep abreast of all-around market changes and stay responsive. A strong financial position is also of great importance to support the Group's future endeavors and to remain agile in the face of market dynamics. The Group will implement measures such as close monitoring of its capital deployment and turnover, as well as stringent internal controls for continuous efficiency improvement.

MANAGEMENT DISCUSSION AND ANALYSIS

The global electrothermic household appliances market is enormous with vast potential for product upgrades and innovation. Town Ray will remain steadfast in creating extra values for its customers and shareholders of the Company (the “**Shareholder(s)**”) with its expertise, strong war chest and excellent execution.

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by approximately HK\$117.1 million or approximately 39.0% from approximately HK\$300.0 million for the six months ended 30 June 2021 to approximately HK\$417.1 million for the six months ended 30 June 2022. 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 slightly decreased by 0.4 percentage point from approximately 29.5% for the six months ended 30 June 2021 to approximately 29.1% for the six months ended 30 June 2022. The decrease in gross profit margin was mainly attributable to the increase in raw material costs. The gross profit of the Group increased from approximately HK\$88.4 million for the six months ended 30 June 2021 to approximately HK\$121.5 million for the six months ended 30 June 2022, representing an increase of approximately HK\$33.1 million or approximately 37.5%. The increase in gross profit was primarily attributable to the increase in revenue as a result of an increase in sales of cooking appliances during the Period.

Other Income and Gain, Net

Other income and gain, net of the Group increased from approximately HK\$1.6 million for the six months ended 30 June 2021 to approximately HK\$3.4 million for the six months ended 30 June 2022. Such increase was due to the receipt of government subsidies of approximately HK\$1.6 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK\$0.2 million) and the Group recorded an exchange gain of approximately HK\$1.2 million for the six months ended 30 June 2022, while the Group recorded an exchange loss of approximately HK\$0.2 million for the six months ended 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

General and Administrative Expenses

General and administrative expenses of the Group increased from approximately HK\$37.3 million for the six months ended 30 June 2021 to approximately HK\$40.7 million for the six months ended 30 June 2022, representing an increase of approximately HK\$3.4 million. Such increase was due to the increase in employee benefit expense of approximately HK\$3.3 million from approximately HK\$17.8 million for the six months ended 30 June 2021 to approximately HK\$21.1 million for the six months ended 30 June 2022. The increase in employee benefit expense was due to the increase in the total number of staff during the Period.

Finance Costs

Finance costs of the Group increased from approximately HK\$0.4 million for the six months ended 30 June 2021 to approximately HK\$1.7 million for the six months ended 30 June 2022. Such increase was due to the increase in approximately HK\$0.8 million in interest on lease liabilities and the increase in approximately HK\$0.5 million in interest on bank loans for operations during the Period.

Income Tax Expense

The income tax expense of the Group increased by approximately HK\$6.2 million from approximately HK\$7.0 million for the six months ended 30 June 2021 to approximately HK\$13.2 million for the six months ended 30 June 2022. The effective tax rate was approximately 15.2% and 17.7% for the six months ended 30 June 2021 and 2022, respectively.

Net Profit

As a result of the foregoing, the net profit of the Group increased by approximately HK\$22.1 million, or approximately 56.4%, from approximately HK\$39.2 million for the six months ended 30 June 2021 to approximately HK\$61.3 million for the six months ended 30 June 2022. The net profit margin for the six months ended 30 June 2021 and 2022 were approximately 13.1% and 14.7%, respectively, representing an increase of approximately 1.6 percentage points during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no material acquisitions or disposals of subsidiaries and associated companies during the Period.

CAPITAL COMMITMENTS

As at 30 June 2022, 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\$4.5 million, of which approximately HK\$2.3 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 Period.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any material contingent liabilities (as at 31 December 2021: 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 2022, 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

Except for the commitments in note 13 to the interim condensed consolidated financial information, the Group did not have any specific plans for material investments and capital assets as at 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

As at 30 June 2022, the gearing ratio of the Group (calculated by the total of interest-bearing bank borrowings divided by total equity) was approximately 33.1% (as at 31 December 2021: approximately 24.1%). 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 30 June 2022, the Group had cash and cash equivalents of approximately HK\$93.8 million (as at 31 December 2021: approximately HK\$144.9 million). As at 30 June 2022, the current ratio of the Group was approximately 1.7 times (as at 31 December 2021: approximately 2.0 times). The financial resources presently available to the Group include bank borrowings and the Net Proceeds. The directors (the “**Directors**”) of the Company 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 Period.

DEBTS AND CHARGES ON ASSETS

The total interest-bearing bank borrowings of the Group amounted to approximately HK\$108.7 million as at 30 June 2022 (as at 31 December 2021: approximately HK\$80.1 million). As at 30 June 2022, the Group had pledged deposits of approximately HK\$0.8 million in support of the issue of two letters of credit by two banks and there were mortgage loans of approximately HK\$37.7 million secured by properties of the Group which in total had a carrying value of approximately HK\$79.0 million. Other than the above, no charge was made or subsisting on assets of the Group as at 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

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 incidents, which may cause lockdown, travel restrictions and suspension of work in the PRC, Hong Kong or elsewhere;
- (ii) There has been an ongoing military conflict between Russia and Ukraine, which may affect the European or even the global supply chain and logistics, consumers' sentiment and demand, raw materials and production prices. Such ongoing conflict may cause a negative impact on the sales and performance of the Group;
- (iii) 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;
- (iv) 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;
- (v) 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;
- (vi) 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; and

MANAGEMENT DISCUSSION AND ANALYSIS

- (vii) 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**”).

SIGNIFICANT INVESTMENTS HELD

Except for the Company's investment in various subsidiaries, the Company did not hold any significant investments as at 30 June 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group has a total of 1,022 full-time employees (as at 31 December 2021: 866). 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 (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 2022 was approximately HK\$53.8 million (during the six months ended 30 June 2021: approximately HK\$40.1 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 (the “**Stock Exchange**”) on 25 October 2019 (the “**Listing Date**”) were approximately HK\$90.7 million, after deducting the underwriting fees and related expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Below table sets out the proposed application, actual usage and remaining balance of the Net Proceeds as at 30 June 2022:

	Total Planned use of Net Proceeds	Actual use of Net Proceeds from the Listing Date to 30 June 2022	Net Proceeds utilised during the Period	Remaining balance of Net Proceeds as at 30 June 2022	Expected timeline for the intended use
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
(A) Upgrading production facilities and enhancing production capacity	50.4	43.5	9.0	6.9	By December 2022
(B) Strengthening product design and development capabilities and increasing product offerings	31.6	12.2	1.0	19.4	By December 2022
(C) Strengthening customer base	3.0	2.1	–	0.9	By December 2022
(D) Upgrading information technology systems	5.7	1.6	0.6	4.1	By June 2023
Total	90.7	59.4	10.6	31.3	

From the Listing Date to 30 June 2022, the Company utilised approximately HK\$59.4 million of the Net Proceeds and the unutilised Net Proceeds amounted to approximately HK\$31.3 million. The Company intended to use the remaining balance of the Net Proceeds in accordance with the proposed application set out in the section headed “Future plans and use of proceeds” in the Prospectus. However, there has been a delay in the use of the Net Proceeds for upgrading information technology systems during the Period since additional time was required to consider and analyse the compatibility and functions of different proposals prepared by vendors relating to the upgrade of information technology systems of the Group. It is expected that the portion of the Net Proceeds allocated to upgrading information technology systems will be fully utilised by 30 June 2023.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company believes that an effective corporate governance framework is fundamental to maintaining and promoting investors' confidence, safeguarding the 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 (the "**Listing Rules**") as its own code of corporate governance. In the opinion of the Directors, the Company has complied with all the code provisions set out in the CG Code during the Period and up to the date of this interim report.

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 Directors, each of the Directors confirmed that he/she has fully complied with the required standards set out in the Model Code during the Period and up to the date of this interim report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

THE BOARD

Board Composition

The Board currently comprises nine members, consisting of four executive Directors, two non-executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Chan Wai Ming (*Chief Executive Officer*)

Mr. Chiu Wai Kwong

Ms. Tang Mei Wah

Mr. Yu Kwok Wai

Non-executive Directors

Dr. Chan Kam Kwong Charles (*Chairman*)

Ms. Cheng Yuk Sim Connie

(also known as Ms. Cheng Yuk Yee Connie)

Independent non-executive Directors

Mr. Chan Ping Yim

Mr. Choi Chi Leung Danny

Mr. Chan Shing Jee

CHANGE IN INFORMATION OF DIRECTORS

There is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

COMPLIANCE WITH THE LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risks of non-compliance with the applicable laws and regulations. During the Period and up to the date of this interim report, the Group in all material aspects has complied with the relevant laws and regulations that have a significant impact on the business and operations of the Group. There was no material breach or non-compliance with the applicable laws and regulations by the Group during the Period and up to the date of this interim report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

RESULTS AND DIVIDENDS

The Group's profit during the Period and the Group's financial position as at 30 June 2022 are set out in the interim condensed consolidated financial information on pages 24 to 44 of this interim report.

The Board resolved to declare an interim dividend of HK10.8 cents per share (the "**Interim Dividend**"), totalling approximately HK\$38.8 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK\$35.2 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, 16 September 2022 as the record date.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the identify of the Shareholders who are entitled to receive the Interim Dividend, the Register of Members will be closed from Wednesday, 14 September 2022 to Friday, 16 September 2022 (both dates inclusive), 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, 23 September 2022. 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 13 September 2022.

CHARITABLE CONTRIBUTIONS

Charitable contributions made by the Group during the Period amounted to approximately HK\$82,000.

SHARE OPTION SCHEME

The Company has a Share Option Scheme which was approved and adopted by the then sole shareholder of the Company by way of written resolutions passed on 3 October 2019 (the "**Adoption Date**"). No share option has been granted, exercised, cancelled, or lapsed under the Share Option Scheme since the Adoption Date and up to the date of this interim report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the Period.

DISCLOSURE OF INTERESTS

(i) Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 30 June 2022, interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director/ chief executive	Capacity/nature of interest	Number of shares held (Note 1)	Approximate percentage of shareholding
Dr. Chan Kam Kwong Charles ("Dr. Chan")	Interest in a controlled corporation (Note 2)	213,640,000 (L)	59.51%
	Interest of spouse (Note 3)	6,806,000 (L)	1.90%
Ms. Cheng Yuk Sim Connie ("Ms. Cheng")	Interest in a controlled corporation (Note 2)	213,640,000 (L)	59.51%
	Beneficial owner	6,806,000 (L)	1.90%
Mr. Chan Wai Ming	Beneficial owner	5,000,000 (L)	1.39%
Mr. Chiu Wai Kwong	Beneficial owner	5,000,000 (L)	1.39%
Ms. Tang Mei Wah	Beneficial owner	5,000,000 (L)	1.39%
Mr. Yu Kwok Wai	Beneficial owner	5,000,000 (L)	1.39%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares.
2. 213,640,000 Shares are owned by Modern Expression Limited ("**Modern Expression**"), which is wholly owned by Dr. Chan and Ms. Cheng jointly. Under the SFO, each of Dr. Chan and Ms. Cheng is deemed to be interested in all the Shares owned by Modern Expression.
3. Ms. Cheng is the spouse of Dr. Chan. Under the SFO, Dr. Chan is deemed to be interested in all the Shares in which Ms. Cheng is interested.

(ii) Interest in associated corporations of the Company

As at 30 June 2022, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	Name of associated corporation	Capacity/nature	Number of shares held in associated corporation (Note 1)	Approximate percentage of shareholding in associated corporation
Dr. Chan	Modern Expression	Interest held jointly with another person (Note 2)	1 (L)	100%
Ms. Cheng	Modern Expression	Interest held jointly with another person (Note 2)	1 (L)	100%

Notes:

1. The letter "L" denotes a person's/corporation's "long position" (as defined under Part XV of the SFO) in such Shares.
2. Modern Expression is wholly owned by Dr. Chan and Ms. Cheng jointly. Dr. Chan and Ms. Cheng are spouses.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(iii) Substantial Shareholders' and other persons' interests and short positions in shares, underlying shares and debentures

So far as the Directors are aware, as at 30 June 2022, the following persons (other than the Directors and chief executive of the Company) had or deemed or taken to have an interest and/or short position in the shares, underlying shares or debentures of the Company which were required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Person/corporation	Capacity/nature of interest	Number of Shares held (Note 1)	Percentage of interest in the Company
Modern Expression	Beneficial owner	213,640,000 (L)	59.51%
Capital Fortress Limited ("Capital Fortress")	Beneficial owner	29,000,000 (L)	8.08%
Mr. Leung Yat Cheong Albert ("Mr. Leung")	Interest in a controlled corporation (Note 2)	29,000,000 (L)	8.08%
Ms. Chan Ying Yuk Purple ("Ms. Chan")	Interest of spouse (Note 3)	29,000,000 (L)	8.08%
Bestresult Assets Limited ("Bestresult Assets")	Beneficial owner	22,360,000 (L)	6.23%
Ms. Li Siu Lan ("Ms. Li")	Interest in a controlled corporation (Note 4)	22,360,000 (L)	6.23%
Mr. Lo Kam Wing Raymond ("Mr. Lo")	Interest of spouse (Note 5)	22,360,000 (L)	6.23%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. The letter "L" denotes a person's/corporation's "long position" (as defined under Part XV of the SFO) in such Shares.
2. Capital Fortress is wholly owned by Mr. Leung. Under the SFO, Mr. Leung is deemed to be interested in all the Shares owned by Capital Fortress.
3. Ms. Chan is the spouse of Mr. Leung. Under the SFO, Ms. Chan is deemed to be interested in all the Shares in which Mr. Leung is interested.
4. Bestresult Assets is wholly owned by Ms. Li. Under the SFO, Ms. Li is deemed to be interested in all the Shares owned by Bestresult Assets.
5. Mr. Lo is the spouse of Ms. Li. Under the SFO, Mr. Lo is deemed to be interested in all the Shares in which Ms. Li is interested.

Save as disclosed above, as at 30 June 2022, the Directors were not aware of any other persons who had or deemed or taken to have any interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Period and up to the date of this interim report, none of the Directors or their close associates (as defined under the Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this interim report, there were no transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company, its holding Company, or any of its subsidiaries was a party and in which a Director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted during the Period and up to the date of this interim report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CONNECTED TRANSACTIONS

On 30 September 2021, the Group renewed the tenancy agreements which expired on 31 December 2021 by entering into the following connected transactions:

- (i) Tunbow Group Limited, an indirect wholly-owned subsidiary of the Company, as tenant entered into the tenancy agreement (the “**Tenancy Agreement I**”) with Tunbow Properties Limited (“**Tunbow Properties**”), a connected person of the Company, as landlord in relation to the leasing of the property situated at 10th Floor, Block A, Chung Mei Centre, 15 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong (the “**Property I**”) at a monthly rent of HK\$89,775 for a term commencing from 1 January 2022 and ending on 31 December 2022. The Property I is currently used as workshop, godown and ancillary office of the Group and has a gross floor area of 5,985 square feet; and
- (ii) Town Ray Electrical (Huizhou) Limited (“**Town Ray (Huizhou)**”), an indirect wholly-owned subsidiary of the Company, as tenant entered into the tenancy agreement (the “**Tenancy Agreement II**”, and together with the Tenancy Agreement I, the “**Tenancy Agreements**”) with Tunbow Electrical (Huizhou) Limited* (東保利電業(惠州)有限公司) (“**Tunbow (Huizhou)**”), a connected person of the Company, as landlord in relation to the leasing of the Dunzilipian (Jiangbei 84) Community, Qingtang Village, Xiaojinkou Town, Huicheng District, Huizhou City, Guangdong Province, PRC (the “**Property II**”) at a monthly rent of RMB1,020,433.20 for a term of three years commencing from 1 January 2022. The Property II is currently used for the production and related operation of the Group and has a gross floor area of 85,036.10 square metres.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Tunbow Properties, the landlord under the Tenancy Agreement I, is a company incorporated in Hong Kong with limited liability on 26 July 2004 and principally engages in the business of properties holding. Tunbow Properties is wholly owned by Tunbow Limited, which is in turn wholly owned by Tunbow Investments (BVI) Limited, which is in turn owned as to approximately 78.23% by Modern Expression. Modern Expression is jointly and wholly owned by Dr. Chan, the chairman, non-executive Director and a controlling shareholder of the Company, and Ms. Cheng, non-executive Director and a controlling shareholder of the Company. Therefore, Tunbow Properties is an associate of Dr. Chan and Ms. Cheng, and is a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

Tunbow (Huizhou), the landlord under the Tenancy Agreement II, is a company established in Huizhou City, Guangdong Province, the PRC with limited liability on 5 December 2005 and principally engages in the business of properties holding. Tunbow (Huizhou) is wholly owned by Tunbow Electrical (BVI) Limited, which is in turn wholly owned by Tunbow Investments (BVI) Limited. Therefore, Tunbow (Huizhou) is an associate of Dr. Chan and Ms. Cheng, and is a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

In accordance with HKFRS 16, the Group was required to recognise right-of-use assets on its consolidated statement of financial position in connection with the Tenancy Agreements. Accordingly, the Tenancy Agreements and the transactions contemplated thereunder were regarded as acquisitions of right-of-use assets by the Group, which were aggregated under Rule 14.22 of the Listing Rules as if one transaction, and constituted a discloseable transaction under Chapter 14 of the Listing Rules and a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules. The total consideration of the connected transaction was approximately HK\$41.9 million, which was calculated with reference to the aggregate rental payments and discounted by a discount rate. For details, please refer to the announcement of the Company dated 30 September 2021.

The extraordinary general meeting was held on 8 December 2021, at which the Tenancy Agreements and the transactions contemplated thereunder were approved by independent Shareholders. For further information in relation to the Tenancy Agreements, please refer to the circular of the Company dated 18 November 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, the Group did not enter into any connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules during the Period.

* *unofficial name for identification only*

RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the Period are set out in note 14 to the interim condensed consolidated financial information. Save as disclosed above in the paragraph headed “Connected Transactions” in this interim report, none of the related party transactions constitute connected transactions or continuing connected transactions under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

The Group had no material events for disclosure subsequent to 30 June 2022 and up to the date of this interim report.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The unaudited interim condensed consolidated financial information of the Group for the Period 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 consolidated 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.

On behalf of the Board

Town Ray Holdings Limited

Chan Kam Kwong Charles

Chairman and non-executive Director

Hong Kong, 12 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
REVENUE	4	417,093	300,041
Cost of sales		(295,578)	(211,642)
Gross profit		121,515	88,399
Other income and gain, net	4	3,418	1,625
Selling and distribution expenses		(6,788)	(6,346)
General and administrative expenses		(40,667)	(37,270)
Other expenses, net		(1,283)	212
Finance costs		(1,725)	(448)
PROFIT BEFORE TAX	5	74,470	46,172
Income tax expense	6	(13,215)	(7,001)
PROFIT FOR THE PERIOD		61,255	39,171
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted		HK17.06 cents	HK10.91 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	61,255	39,171
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	(7,663)	1,135
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	53,592	40,306

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	78,119	51,910
Right-of-use assets		94,454	35,151
Deposits paid for purchases of items of property, plant and equipment		6,106	18,697
Prepayment		62	65
Deferred tax assets		1,395	1,138
Total non-current assets		180,136	106,961
CURRENT ASSETS			
Inventories		179,429	206,732
Trade receivables	10	123,428	119,079
Prepayments, deposits and other receivables		22,415	27,011
Tax recoverable		–	3,683
Pledged deposits		821	88
Cash and cash equivalents		93,808	144,923
Total current assets		419,901	501,516
CURRENT LIABILITIES			
Trade payables	11	79,296	90,573
Other payables and accruals		36,459	61,024
Interest-bearing bank borrowings	12	108,735	80,144
Lease liabilities		13,783	13,073
Tax payable		7,538	3,471
Total current liabilities		245,811	248,285
NET CURRENT ASSETS		174,090	253,231
TOTAL ASSETS LESS CURRENT LIABILITIES		354,226	360,192

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	30 June	31 December
	2022	2021
Notes	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Lease liabilities	18,556	22,100
Deferred tax liabilities	7,332	5,906
Total non-current liabilities	25,888	28,006
Net assets	328,338	332,186
EQUITY		
Issued capital	3,590	3,590
Reserves	324,748	328,596
Total equity	328,338	332,186

Chan Wai Ming

Director

Chiu Wai Kwong

Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

		Issued capital	Share premium account	Merger reserve	Capital contribution reserve	Share- based payment reserve	Exchange fluctuation reserve	Retained profits	Total
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021		3,590	73,524	10,000	63,000	10,050	4,478	144,341	308,983
Profit for the period		-	-	-	-	-	-	39,171	39,171
Other comprehensive income for the period:									
Exchange differences on translation of a foreign operation		-	-	-	-	-	1,135	-	1,135
Total comprehensive income for the period		-	-	-	-	-	1,135	39,171	40,306
Final 2020 dividend	7	-	-	-	-	-	-	(51,696)	(51,696)
At 30 June 2021 (unaudited)		3,590	73,524	10,000	63,000	10,050	5,613	131,816	297,593
At 1 January 2022		3,590	73,524	10,000	63,000	10,050	8,055	163,967	332,186
Profit for the period		-	-	-	-	-	-	61,255	61,255
Other comprehensive loss for the period:									
Exchange differences on translation of a foreign operation		-	-	-	-	-	(7,663)	-	(7,663)
Total comprehensive income for the period		-	-	-	-	-	(7,663)	61,255	53,592
Final 2021 dividend	7	-	-	-	-	-	-	(57,440)	(57,440)
At 30 June 2022 (unaudited)		3,590	73,524*	10,000*	63,000*	10,050*	392*	167,782*	328,338

* These reserve accounts comprise the consolidated reserves of HK\$324,748,000 (31 December 2021: HK\$328,596,000) in the interim condensed consolidated statement of financial position as at 30 June 2022.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH FLOWS FROM OPERATING ACTIVITIES	77,512	34,694
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	113	686
Purchases of items of property, plant and equipment	(34,821)	(12,198)
Additions to right-of-use assets	(63,583)	–
Decrease in deposits paid for purchases of items of property, plant and equipment	12,591	1,540
Decrease/(increase) in pledged deposits	(733)	1,016
Net cash flows used in investing activities	(86,433)	(8,956)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings	132,308	19,769
Repayment of bank borrowings	(103,717)	(22,805)
Principal portion of lease payments	(6,571)	(6,286)
Dividend paid	(57,440)	(51,696)
Interest paid	(1,725)	(448)
Net cash flows used in financing activities	(37,145)	(61,466)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(46,066)	(35,728)
Cash and cash equivalents at beginning of period	144,923	223,945
Effect of foreign exchange rate changes, net	(5,049)	705
CASH AND CASH EQUIVALENTS AT END OF PERIOD	93,808	188,922
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	93,808	98,100
Time deposits with original maturity of less than three months when acquired	–	90,822
	93,808	188,922

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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 (“Modern Expression”), 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 2022 has been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

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 2021.

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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 2021, 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Europe	375,591	280,730
Asia	20,260	14,274
United States	16,426	3,446
Others	4,816	1,591
	417,093	300,041

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

(b) Non-current assets

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Hong Kong	85,190	13,156
Mainland China	93,551	92,667
	178,741	105,823

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 2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Customer A	158,617	124,438
Customer B	95,612	N/A*
Customer C	N/A*	35,059

* Less than 10% of revenue

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

4. REVENUE, OTHER INCOME AND GAIN, NET

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	417,093	300,041

Revenue from contracts with customers

Disaggregated revenue information

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Types of goods		
Sale of electrothermic household appliances	414,326	295,982
Sale of tooling	2,767	4,059
Total revenue from contracts with customers	417,093	300,041
Timing of revenue recognition		
Goods transferred at a point in time	417,093	300,041

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	113	686
Consultancy income	474	590
Government subsidies*	1,581	208
Foreign exchange differences, net	1,175	–
Others	75	141
	3,418	1,625

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	295,578	211,642
Depreciation of property, plant and equipment*	5,984	5,986
Depreciation of right-of-use assets*	8,031	5,996
Lease payments not included in the measurement of lease liabilities	10	10
Foreign exchange differences, net	(1,175)	222 [^]
Impairment/(reversal of impairment) of trade receivables, net [^]	1,283	(434)
Write-down/(reversal of write-down) of inventories to net realisable value*	1,235	(246)

* The cost of sales for the period included depreciation charge of property, plant and equipment of HK\$5,083,000 (six months ended 30 June 2021: HK\$5,294,000), depreciation charge of right-of-use assets of HK\$5,923,000 (six months ended 30 June 2021: HK\$4,864,000) and write-down of inventories to net realisable value of HK\$1,235,000 (six months ended 30 June 2021: reversal of write-down of inventories to net realisable value of HK\$246,000).

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2021: 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 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current — Hong Kong		
Charge for the period	7,154	5,729
Current — Mainland China		
Charge for the period	4,647	671
Underprovision in prior periods	—	23
Deferred	1,414	578
Total tax charge for the period	13,215	7,001

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

7. DIVIDENDS

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividend recognised as distribution during the period:		
Final 2021 — HK16.0 cents (2020: HK14.4 cents)		
per ordinary share	57,440	51,696
Dividend proposed after the end of the reporting period:		
Proposed interim 2022 — HK10.8 cents (2021: HK9.8 cents)		
per ordinary share	38,772	35,182

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\$61,255,000 (six months ended 30 June 2021: HK\$39,171,000), and the weighted average number of ordinary shares of 359,000,000 (six months ended 30 June 2021: 359,000,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2022 and 2021.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment with an aggregate cost of HK\$34,821,000 (six months ended 30 June 2021: HK\$12,198,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

10. TRADE RECEIVABLES

	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	124,812	119,180
Impairment	(1,384)	(101)
	123,428	119,079

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	31 December
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within 30 days	55,982	53,597
31 to 90 days	66,753	63,211
Over 90 days	693	2,271
	123,428	119,079

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

11. 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	31 December
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within 30 days	24,657	29,549
31 to 90 days	51,706	58,701
Over 90 days	2,933	2,323
	79,296	90,573

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

12. INTEREST-BEARING BANK BORROWINGS

	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Portions of bank loans due for repayment within one year or on demand	69,863	71,944
Portions of bank loans due for repayment after one year which contain repayment on demand clause	38,872	8,200
	108,735	80,144

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

13. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Leasehold land and buildings	–	68,586
Leasehold improvements	2,011	759
Plant and machinery	2,035	6,878
Furniture, fixtures and equipment	10	–
Moulds	409	2,519
	4,465	78,742

14. RELATED PARTY TRANSACTIONS

(a) In addition to the balances, arrangements and transactions detailed elsewhere in this financial information, the Group had the following material transactions with related parties for the six months ended 30 June 2022 and 2021:

		Six months ended 30 June	
		2022	2021
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Tunbow Properties Limited*:			
Lease payments	(i)	539	503
Tunbow Electrical (Huizhou) Limited ("Tunbow (Huizhou)")*:			
Lease payments	(i)	7,021	5,834

* These related companies are controlled by Modern Expression.

Note:

(i) The lease payments were charged by the related companies at monthly fixed amounts as detailed in notes 14(b)(i) and 14(b)(ii).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

14. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other transactions with related parties:

- (i) On 1 April 2019, the Group entered into a tenancy agreement with Tunbow Properties Limited for the lease of premises for a term of 33 months ended 31 December 2021 at a monthly rent of HK\$83,790. On 30 September 2021, the tenancy agreement was renewed for another term of 1 year ending 31 December 2022 at a monthly rent of HK\$89,775.
- (ii) On 1 April 2019, the Group entered into a tenancy agreement with Tunbow (Huizhou) for the lease of premises for a term of 33 months ended 31 December 2021 at a monthly rent of RMB810,150. On 30 September 2021, the tenancy agreement was renewed for another term of 3 years ending 31 December 2024 at a monthly rent of RMB1,020,433.

(c) Compensation of key management personnel of the Group

Remuneration for key management personnel of the Group, including directors' and chief executive's remuneration, is as follows:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short term employee benefits	9,526	9,260
Post-employment benefits	126	126
Total compensation paid to key management personnel	9,652	9,386

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

16. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the Board of Directors on 12 August 2022.