

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 2022**

### **FINANCIAL HIGHLIGHTS**

- Revenue increased by approximately HK\$60.6 million or approximately 7.9% from approximately HK\$763.1 million for the year ended 31 December 2021 to approximately HK\$823.7 million for the year ended 31 December 2022.
- Gross profit increased by approximately HK\$41.5 million or approximately 18.8% from approximately HK\$221.0 million for the year ended 31 December 2021 to approximately HK\$262.5 million for the year ended 31 December 2022.
- Gross profit margin increased from approximately 29.0% for the year ended 31 December 2021 to approximately 31.9% for the year ended 31 December 2022.
- Profit attributable to the equity holders of the Company for the year ended 31 December 2022 increased by approximately HK\$27.8 million or approximately 26.1% from approximately HK\$106.5 million for the year ended 31 December 2021 to approximately HK\$134.3 million for the year ended 31 December 2022.
- Basic earnings per share was approximately HK37.41 cents for the year ended 31 December 2022 and approximately HK29.67 cents for the year ended 31 December 2021.
- The Board has resolved to recommend a final dividend of HK19.3 cents per share for the year ended 31 December 2022, which is subject to the approval of the Company's shareholders at the 2023 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 2022, together with the comparative figures for the corresponding year ended 31 December 2021.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>REVENUE</b>	4	<b>823,658</b>	763,085
Cost of sales		<u>(561,198)</u>	<u>(542,097)</u>
Gross profit		<b>262,460</b>	220,988
Other income and gain, net	4	<b>11,078</b>	4,522
Selling and distribution expenses		<b>(15,035)</b>	(14,648)
General and administrative expenses		<b>(91,845)</b>	(84,515)
Other expense, net		<b>(1,655)</b>	357
Finance costs		<u>(3,972)</u>	<u>(840)</u>
<b>PROFIT BEFORE TAX</b>	5	<b>161,031</b>	125,864
Income tax expense	6	<u>(26,720)</u>	<u>(19,360)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>134,311</b></u>	<u>106,504</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic and diluted		<u><b>HK37.41 cents</b></u>	<u>HK29.67 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
<b>PROFIT FOR THE YEAR</b>	<b>134,311</b>	106,504
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(20,359)</u>	<u>3,577</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>113,952</u></b>	<b><u>110,081</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		79,783	51,910
Right-of-use assets		85,331	35,151
Deposits paid for purchases of items of property, plant and equipment		3,963	18,697
Prepayments		181	65
Deferred tax assets		1,848	1,138
<b>Total non-current assets</b>		<b>171,106</b>	106,961
<b>CURRENT ASSETS</b>			
Inventories		146,623	206,732
Trade receivables	9	98,067	119,079
Prepayments, deposits and other receivables		17,047	27,011
Tax recoverable		–	3,683
Pledged deposit		87	88
Cash and cash equivalents		148,920	144,923
<b>Total current assets</b>		<b>410,744</b>	501,516
<b>CURRENT LIABILITIES</b>			
Trade payables	10	79,726	90,573
Other payables and accruals		76,997	61,024
Interest-bearing bank borrowings		35,755	80,144
Lease liabilities		12,683	13,073
Tax payable		5,746	3,471
<b>Total current liabilities</b>		<b>210,907</b>	248,285
<b>NET CURRENT ASSETS</b>		<b>199,837</b>	253,231
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>370,943</b>	360,192
<b>NON-CURRENT LIABILITIES</b>			
Accrual		584	–
Lease liabilities		12,005	22,100
Deferred tax liabilities		8,428	5,906
<b>Total non-current liabilities</b>		<b>21,017</b>	28,006
<b>Net assets</b>		<b>349,926</b>	332,186
<b>EQUITY</b>			
Issued capital		3,590	3,590
Reserves		346,336	328,596
<b>Total equity</b>		<b>349,926</b>	332,186

## NOTES

31 December 2022

### 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 Workshop A, 25th Floor, Reason Group Tower, No. 403 Castle Peak Road — Kwai Chung, Kwai Chung, New Territories, Hong Kong.

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 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 the impact of the revised HKFRSs that are applicable to the Group 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* (the “**Conceptual Framework**”) 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 business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

- (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 as determined by HKAS 2 *Inventories*, 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 prior to the property, plant and equipment being available for use, 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.
- (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 from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

### 3. OPERATING SEGMENT INFORMATION

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

#### Geographical information

##### (a) Revenue from external customers

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Europe	743,512	676,468
Asia	54,035	41,100
United States	20,109	43,259
Others	6,002	2,258
	<u>823,658</u>	<u>763,085</u>

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

##### (b) Non-current assets

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	84,944	13,156
Mainland China	84,314	92,667
	<u>169,258</u>	<u>105,823</u>

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

#### Information about major customers

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	332,544	293,004
Customer B	163,396	96,707
Customer C	N/A *	80,242
	<u>                    </u>	<u>                    </u>

\* Less than 10% of revenue

#### 4. REVENUE, OTHER INCOME AND GAIN, NET

An analysis of revenue is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers	<u>823,658</u>	<u>763,085</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	877	1,236
Consultancy income	1,396	1,276
Government subsidies*	2,899	906
Foreign exchange differences, net	5,335	605
Others	<u>571</u>	<u>499</u>
	<u>11,078</u>	<u>4,522</u>

\* There are 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):

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold	561,198	542,097
Depreciation of property, plant and equipment*	12,449	13,769
Depreciation of right-of-use assets*	15,469	12,077
Impairment/(reversal of impairment) of trade receivables, net <sup>^</sup>	1,024	(357)
Write-down/(reversal of write-down) of inventories to net realisable value*	<u>1,451</u>	<u>(1,184)</u>

\* The cost of sales for the year included depreciation charge of property, plant and equipment of HK\$10,104,000 (2021: HK\$12,223,000), depreciation charge of right-of-use assets of HK\$11,425,000 (2021: HK\$9,797,000) and write-down of inventories to net realisable value of HK\$1,451,000 (2021: reversal of write-down of inventories to net realisable value of HK\$1,184,000).

<sup>^</sup> 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% (2021: 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 (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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	11,139	10,519
Overprovision in prior years	(20)	(10)
Current — Mainland China		
Charge for the year	13,285	6,485
Underprovision in prior years	—	34
Deferred	<u>2,316</u>	<u>2,332</u>
Total tax charge for the year	<u><u>26,720</u></u>	<u><u>19,360</u></u>

## 7. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Final 2021 — HK16.0 cents (2020: HK14.4 cents) per ordinary share	57,440	51,696
Interim 2022 — HK10.8 cents (2021: HK9.8 cents) per ordinary share	<u>38,772</u>	<u>35,182</u>
	<u><u>96,212</u></u>	<u><u>86,878</u></u>
Dividend proposed after the end of the reporting period:		
Proposed final 2022 — HK19.3 cents (2021: HK16.0 cents) per ordinary share	<u><u>69,287</u></u>	<u><u>57,440</u></u>

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\$134,311,000 (2021: HK\$106,504,000), and the weighted average number of ordinary shares of 359,000,000 (2021: 359,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

## 9. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	99,192	119,180
Impairment	<u>(1,125)</u>	<u>(101)</u>
	<u><b>98,067</b></u>	<u>119,079</u>

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	58,157	53,597
31 to 90 days	36,706	63,211
Over 90 days	<u>3,204</u>	<u>2,271</u>
	<u><b>98,067</b></u>	<u>119,079</u>

## 10. TRADE PAYABLES

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	<b>34,403</b>	29,549
31 to 90 days	<b>43,004</b>	58,701
Over 90 days	<b>2,319</b>	2,323
	<u><b>79,726</b></u>	<u>90,573</u>

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

## **BUSINESS REVIEW**

Town Ray was resilient in the face of challenges posed by the COVID-19 pandemic, lockdowns in China, and the Russia-Ukraine military conflict in 2022. Despite these complex issues that disrupted global supply chains and escalated inflation in Europe and the United States, Town Ray delivered exceptional results in the year ended 31 December 2022 (the “**Year**”), with revenue and profit reaching a record-high level.

In the first half of 2022, Town Ray achieved impressive results. The lifting of COVID-19 related restrictions and market sentiment rebound in Europe allowed the Group’s major customers to resume marketing campaigns and launch new products. Additionally, Town Ray’s proactive approach and extensive planning enabled the smooth operation of its Huizhou factory and ensured the timely delivery of products in the midst of lockdowns in China.

In the second quarter of 2022, the outbreak of the Russia-Ukraine military conflict initially had a limited impact on Town Ray’s customers. The conflict lasted longer than anticipated, which led to severe inflation due to rising utility and energy costs. As a result, the European market cooled down quickly in the second half of the Year, causing some retailers to slow down their market plans and destock to relieve financial pressure. The rising Federal Funds Rate by the Federal Reserve of the United States, which increased from 0.07% to 4.33% during the Year for slowing down inflation, made enterprises and consumers more prudent in their investments and spending in the latter half of the Year. Nevertheless, the Group’s order book remained solid and stable, thanks to its close relationships with its major customers, who have a long-standing history and market leadership.

Having said all, with its stable order book and efficient production, the Group’s profitability improved in 2022, mainly due to price increases for products having new features and the depreciation of the Renminbi (“**RMB**”) against the United States dollars (“**USD**”).

## PROSPECTS

The global business outlook remains uncertain with high inflation, hike in interest rates, and the ongoing Russia-Ukraine military conflict. Town Ray is cautiously optimistic, as China has reopened its borders to foreign visitors and market sentiment appears confident about the global post-pandemic recovery. In the first quarter of 2023, the Group received several customers to visit its office and production site in Hong Kong and China, which shows customers' eagerness to move forward with their new projects and to embrace the booming opportunities arising in the post-pandemic era. The Group resumes frequent visits and on-site communications to stay close to customers' feedback. Town Ray consistently creates value for customers by assisting them to gain market share in the fast-changing consumer market. Given the rate of inflation in the western markets remained at a high level, the Group's customers have been actively capturing the opportunities arising from the recovery of new markets beyond Europe, including South America, Southeast Asia, and China. The Group will join hands with customers to explore new business opportunities and will explore new ideas for extending its business scale and strengthen its sustainability in the long run.

Product development and innovation have been the key to success for Town Ray. Leveraging its product technology and engineering capabilities, Town Ray will put more emphasis and efforts this year to expand its product lines with different product features, which will support customers' expansion to various tiers of markets. The digitalisation and automation of production lines through adopting Industry 4.0 and artificial intelligence manufacturing practices have been in progress. The Group needs to make further investments to improve its production capability and efficiency, as well as the quality and stability of products. During the monetary tightening cycle, the Group will stay conservative in its capital management to ensure strong and healthy cash flow, minimal financial expenses, and efficient use of capital.

The operating environment in 2023 is expected to be brighter. With the proven growth achieved in the past three years, Town Ray is confident of sailing forward with its core competencies in its existing market and embracing new opportunities arising from the global recovery driven by China's reopening. Town Ray will stay devoted to discovering more potential markets in the future and creating value for its customers and shareholders (“**Shareholder(s)**”).

## **FINANCIAL REVIEW**

### **Revenue**

The total revenue of the Group increased by approximately HK\$60.6 million or approximately 7.9% from approximately HK\$763.1 million for the year ended 31 December 2021 to approximately HK\$823.7 million for the year ended 31 December 2022. 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 increased by 2.9 percentage points from approximately 29.0% for the year ended 31 December 2021 to approximately 31.9% for the year ended 31 December 2022. The increase in gross profit margin was mainly attributable to the depreciation in RMB against USD and the decrease in raw material costs during the Year. The gross profit of the Group increased from approximately HK\$221.0 million for the year ended 31 December 2021 to approximately HK\$262.5 million for the year ended 31 December 2022, representing an increase of approximately HK\$41.5 million or approximately 18.8%. 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 Year.

### **Other Income and Gain, Net**

Other income and gain, net of the Group increased from approximately HK\$4.5 million for the year ended 31 December 2021 to approximately HK\$11.1 million for the year ended 31 December 2022. Such increase was due to the Group recorded an exchange gain of approximately HK\$5.3 million and the receipt of government subsidies of approximately HK\$2.9 million for the year ended 31 December 2022, 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\$84.5 million for the year ended 31 December 2021 to approximately HK\$91.8 million for the year ended 31 December 2022, representing an increase of approximately HK\$7.3 million. Such increase was due to the increase in employee benefit expense by approximately HK\$7.1 million from approximately HK\$40.3 million for the year ended 31 December 2021 to approximately HK\$47.4 million for the year ended 31 December 2022. The increase in employee benefit expense was due to the increase in the total number of staff during the Year.

## **Finance Costs**

Finance costs of the Group increased from approximately HK\$0.8 million for the year ended 31 December 2021 to approximately HK\$4.0 million for the year ended 31 December 2022. Such increase was due to the increase in approximately HK\$1.7 million in interest expense on bank loans for operations and approximately HK\$1.5 million in interest expense on lease liabilities during the Year.

## **Income Tax Expense**

The income tax expense of the Group increased by approximately HK\$7.4 million from approximately HK\$19.3 million for the year ended 31 December 2021 to approximately HK\$26.7 million for the year ended 31 December 2022. The effective tax rate was approximately 15.4% and 16.6% for the years ended 31 December 2021 and 2022, respectively.

## **Net Profit**

As a result of the foregoing, the net profit of the Group increased by approximately HK\$27.8 million, or approximately 26.1%, from approximately HK\$106.5 million for the year ended 31 December 2021 to approximately HK\$134.3 million for the year ended 31 December 2022. The net profit margin of the Group for the years ended 31 December 2021 and 2022 were approximately 14.0% and 16.3%, respectively, representing an increase of approximately 2.3 percentage points during the Year.

## **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 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 consolidated financial statements, in the total amount of approximately HK\$4.2 million, of which approximately HK\$3.8 million will be settled through the net proceeds (the “**Net Proceeds**”) raised from the share offer of the Company (the “**Share Offer**”) for the listing (the “**Listing**”) of the shares on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in 2019. Save as disclosed above, the Group did not have other capital commitments for the year ended 31 December 2022.

## **CONTINGENT LIABILITIES**

As at 31 December 2022, the Group did not have any material contingent liabilities (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 31 December 2022, the Group did not have any foreign currency investments which were hedged by currency borrowing and other hedging instruments. However, the management monitors foreign exchange exposure closely to keep the net exposure to an acceptable level.

## **GEARING RATIO**

As at 31 December 2022, the gearing ratio of the Group (calculated by the total of interest-bearing bank borrowings divided by total equity) was approximately 10.2% (2021: approximately 24.1%). Such decrease was mainly due to the decrease in interest-bearing bank borrowings of the Group.

## **LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group has principally funded the liquidity and capital requirements through capital contributions from the Shareholders, bank borrowings and net cash generated from operating activities. As at 31 December 2022, the Group had cash and cash equivalents of approximately HK\$148.9 million (2021: approximately HK\$144.9 million). As at 31 December 2022, the current ratio of the Group was approximately 1.9 times (2021: approximately 2.0 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 CHARGES ON ASSETS**

The total interest-bearing bank borrowings of the Group amounted to approximately HK\$35.8 million as at 31 December 2022 (2021: approximately HK\$80.1 million). As at 31 December 2022, the Group had a pledged deposit of approximately HK\$0.1 million (2021: approximately HK\$0.1 million) in support of the issue of a letter of credit by a bank and there were mortgage loans of approximately HK\$35.8 million (2021: Nil) secured by properties of the Group, which in total had a carrying value of approximately HK\$77.4 million. Other than the above, there was no charge made or subsisting on assets of the Group as at 31 December 2022.



## 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's 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 relationships 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
- (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**").

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2022, the Group has a total of 1,044 full-time employees (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, staff members are also entitled to other staff benefits such as 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 2022 was approximately HK\$116.1 million (2021: approximately HK\$94.1 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 Rules Governing the Listing of Securities on the Stock Exchange ("**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 as its own code to govern its corporate governance practices.

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 2023 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 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. Below table sets out the proposed application, actual usage and remaining balance of the Net Proceeds as at 31 December 2022:

	Total planned use of Net Proceeds <i>HK\$ million</i>	Actual use of Net Proceeds from the Listing Date to 31 December 2022 <i>HK\$ million</i>	Net Proceeds utilised during the Year <i>HK\$ million</i>	Remaining balance of Net Proceeds as at 31 December 2022 <i>HK\$ million</i>	Expected timeline For the intended use
(A) Upgrading production facilities and enhancing production capacity	50.4	46.3	11.8	4.1	By December 2023
(B) Strengthening product design and development capabilities and increasing product offerings	31.6	14.9	3.7	16.7	By December 2023
(C) Strengthening customer base	3.0	2.4	0.3	0.6	By December 2023
(D) Upgrading information technology systems	5.7	2.3	1.3	3.4	By June 2023
Total	<u>90.7</u>	<u>65.9</u>	<u>17.1</u>	<u>24.8</u>	

From the Listing Date to 31 December 2022, the Company utilised approximately HK\$65.9 million of Net Proceeds and the unutilised Net Proceeds amounted to approximately HK\$24.8 million. The Company has used and intends 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.

For upgrading production facilities and enhancing production capacity, there has been a slight delay in using the Net Proceeds during the Year due to the previous delay in the upgrading schedule of equipment. For strengthening product design and development capabilities and increasing product offerings, there has been a delay in using the Net Proceeds during the Year since additional time was required to carry out the research and development for the new and specific products for the new markets. For strengthening customer base, there has been a delay in using the Net proceeds during the Year due to the travel restrictions and quarantine requirements imposed for controlling COVID-19 pandemic in Hong Kong during the Year, which caused disruption to the Group’s marketing activities.

It is expected that the portion of the Net Proceeds allocated to upgrading producing facilities and enhancing production capacity, strengthening product design and development capabilities and increasing product offerings, and strengthening customer base will be fully utilised by 31 December 2023.

## **DIVIDEND**

The Directors resolved to recommend the payment of a final dividend of HK19.3 cents per share for the year ended 31 December 2022 (2021: HK16.0 cents). Payment of the final dividend is subject to the Shareholders’ approval at the annual general meeting of the Company scheduled to be held on Thursday, 25 May 2023 (“**2023 AGM**”).

## **ANNUAL GENERAL MEETING**

The 2023 AGM is scheduled to be held on Thursday, 25 May 2023. A notice convening the 2023 AGM will be issued and despatched 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 2023 AGM, the Register of Members will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023, 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 2023 AGM, 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 for registration not later than 4:30 p.m. on Friday, 19 May 2023.

Subject to the approval of the Shareholders at the 2023 AGM for payment of the final dividend, to ascertain the entitlement of the final dividend of the Shareholders, the Register of Members will be closed from Friday, 2 June 2023 to Tuesday, 6 June 2023, the period during which no transfer of shares will be effected. The final dividend, if approved at the 2023 AGM, is expected to be paid on or before Wednesday, 14 June 2023. 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 and transfer office in Hong Kong, Tricor Investor Services Limited at the above address not later than 4:30 p.m. on Thursday, 1 June 2023.

## **EVENTS AFTER THE REPORTING PERIOD**

The Group had no material events for disclosure subsequent to 31 December 2022 and up to the date of this announcement.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor 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 2022 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 the Audit Committee are set out in the Audit Committee's terms of reference, which is 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 2022 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 2022 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 2022 will be despatched to the Shareholders and published on the above websites according to the requirements under the Listing Rules in April 2023.

## **APPRECIATION**

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

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

Hong Kong, 17 March 2023

*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.*