Town Ray Holdings Limited
登輝控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1692)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately HK$20.5 million or approximately 4.9% from approximately HK$417.1 million for the six months ended 30 June 2022 to approximately HK$396.6 million for the six months ended 30 June 2023.

- Gross profit increased by approximately HK$27.0 million or approximately 22.2% from approximately HK$121.5 million for the six months ended 30 June 2022 to approximately HK$148.5 million for the six months ended 30 June 2023.

- Gross profit margin increased by 8.3 percentage points from approximately 29.1% for the six months ended 30 June 2022 to approximately 37.4% for the six months ended 30 June 2023.

- Profit attributable to the equity holders of the Company for the six months ended 30 June 2023 increased by approximately HK$26.0 million or approximately 42.6% from approximately HK$61.3 million for the six months ended 30 June 2022 to approximately HK$87.3 million for the six months ended 30 June 2023. The net profit margin for the six months ended 30 June 2022 and 2023 were approximately 14.7% and 22.0%, respectively, representing an increase of approximately 7.3 percentage points.

- Basic earnings per share was approximately HK24.33 cents for the six months ended 30 June 2023 and approximately HK17.06 cents for the six months ended 30 June 2022.

- The Board resolved to declare an interim dividend of HK15.0 cents per share in respect of the six months ended 30 June 2023, totalling approximately HK$53.9 million.

The board (the "**Board**") of directors (the "**Directors**") of Town Ray Holdings Limited (the "**Company**" or "**Town Ray**") is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2023, together with the comparative figures for the corresponding period ended 30 June 2022.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**396,551**	417,093
Cost of sales		**(248,067)**	(295,578)
Gross profit		**148,484**	121,515
Other income and gain, net	*4*	**9,145**	3,418
Selling and distribution expenses		**(8,065)**	(6,788)
General and administrative expenses		**(43,482)**	(40,667)
Other expenses, net		**1,117**	(1,283)
Finance costs		**(1,394)**	(1,725)
PROFIT BEFORE TAX	*5*	**105,805**	74,470
Income tax expense	*6*	**(18,467)**	(13,215)
PROFIT FOR THE PERIOD		**87,338**	61,255
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic and diluted		**HK24.33 cents**	HK17.06 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**87,338**	61,255
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(7,943)**	(7,663)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**79,395**	53,592

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	**30 June 2023** **HK$'000** **(Unaudited)**	31 December 2022 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**78,444**	79,783
Right-of-use assets		**77,515**	85,331
Deposits paid for purchases of items of property, plant and equipment		**3,568**	3,963
Prepayments		**140**	181
Deferred tax assets		**1,682**	1,848
Total non-current assets		**161,349**	171,106
CURRENT ASSETS			
Inventories		**95,737**	146,623
Trade receivables	*9*	**74,442**	98,067
Prepayments, deposits and other receivables		**12,553**	17,047
Tax recoverable		**501**	–
Pledged deposits		**822**	87
Cash and cash equivalents		**203,862**	148,920
Total current assets		**387,917**	410,744
CURRENT LIABILITIES			
Trade payables	*10*	**62,626**	79,726
Other payables and accruals		**55,462**	76,997
Interest-bearing bank borrowings		**34,983**	35,755
Lease liabilities		**12,287**	12,683
Tax payable		**13,448**	5,746
Total current liabilities		**178,806**	210,907
NET CURRENT ASSETS		**209,111**	199,837
TOTAL ASSETS LESS CURRENT LIABILITIES		**370,460**	370,943

	Notes	**30 June 2023** *HK$'000* **(Unaudited)**	31 December 2022 *HK$'000* (Audited)
NON-CURRENT LIABILITIES			
Accrual		**426**	584
Lease liabilities		**5,896**	12,005
Deferred tax liabilities		**4,104**	8,428
Total non-current liabilities		**10,426**	21,017
Net assets		**360,034**	349,926
EQUITY			
Issued capital		**3,590**	3,590
Reserves		**356,444**	346,336
Total equity		**360,034**	349,926

NOTES

1. CORPORATE INFORMATION

Town Ray Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at Workshop A, 25th Floor, Reason Group Tower, No. 403 Castle Peak Road — Kwai Chung, Kwai Chung, New Territories, Hong Kong.

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 2023 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 2022.

The interim condensed consolidated financial information has been prepared under the historical cost convention. The financial information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform — Pillar Two Model Rules*

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any. The amendments did not have any impact on the financial position or performance of the Group.

(d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Europe	**340,155**	375,591
Asia	**44,073**	20,260
United States	**12,063**	16,426
Others	**260**	4,816
	396,551	417,093

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

(b) Non-current assets

	As at 30 June 2023 *HK$'000* **(Unaudited)**	As at 31 December 2022 *HK$'000* (Audited)
Hong Kong	**83,482**	84,944
Mainland China	**76,185**	84,314
	159,667	169,258

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:

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Customer A	**164,359**	158,617
Customer B	**42,523**	95,612

4. REVENUE, OTHER INCOME AND GAIN, NET

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**396,551**	417,093

Revenue from contracts with customers

Disaggregated revenue information

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Types of goods		
Sale of electrothermic household appliances	**393,749**	414,326
Sale of tooling	**2,802**	2,767
Total revenue from contracts with customers	**396,551**	417,093
Timing of revenue recognition		
Goods transferred at a point in time	**396,551**	417,093

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

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**2,521**	113
Consultancy income	**2,448**	474
Government subsidies*	**–**	1,581
Foreign exchange differences, net	**3,559**	1,175
Others	**617**	75
	9,145	3,418

* 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):

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**248,067**	295,578
Depreciation of property, plant and equipment*	**7,219**	5,984
Depreciation of right-of-use assets*	**7,290**	8,031
Lease payments not included in the measurement of lease liabilities	**24**	10
Foreign exchange differences, net	**(3,559)**	(1,175)
Impairment/(reversal of impairment) of trade receivables, net^	**(1,125)**	1,283
Write-down of inventories to net realisable value*	**4,549**	1,235

* The cost of sales for the period included depreciation charge of property, plant and equipment of HK$5,451,000 (six months ended 30 June 2022: HK$5,083,000), depreciation charge of right-of-use assets of HK$5,538,000 (six months ended 30 June 2022: HK$5,923,000) and write-down of inventories to net realisable value of HK$4,549,000 (six months ended 30 June 2022: HK$1,235,000).

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

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2022: 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 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 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	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current — Hong Kong		
Charge for the period	**12,793**	7,154
Current — Mainland China		
Charge for the period	**8,934**	4,647
Underprovision in prior periods	**892**	–
Deferred	**(4,152)**	1,414
Total tax charge for the period	**18,467**	13,215

7. DIVIDENDS

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend recognised as distribution during the period:		
Final 2022 — HK19.3 cents (2021: HK16.0 cents) per ordinary share	**69,287**	57,440
Dividend proposed after the end of the reporting period:		
Proposed interim 2023 — HK15.0 cents (2022: HK10.8 cents) per ordinary share	**53,850**	38,772

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$87,338,000 (six months ended 30 June 2022: HK$61,255,000), and the weighted average number of ordinary shares of 359,000,000 (six months ended 30 June 2022: 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 2023 and 2022.

9. TRADE RECEIVABLES

	30 June	31 December
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**74,442**	99,192
Impairment	**–**	(1,125)
	74,442	98,067

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 2023	31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**49,007**	58,157
31 to 90 days	**22,603**	36,706
Over 90 days	**2,832**	3,204
	74,442	98,067

10. TRADE PAYABLES

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

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**23,832**	34,403
31 to 90 days	**34,789**	43,004
Over 90 days	**4,005**	2,319
	62,626	79,726

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

BUSINESS REVIEW

Despite a challenging economic climate and sluggish consumer sentiment in the first half of 2023, Town Ray has once again demonstrated its resilience in macro challenges. In the complex environment marked by a large-scale COVID-19 pandemic infection at the beginning of the year in China, sequential logistic bottlenecks, geopolitical conflicts, trade barriers, high inflation rates, and tightening financial conditions caused by the interest rate hikes from the central banks, Town Ray delivered another set of exceptional performances for the six months ended 30 June 2023 (the "**Period**").

At the beginning of 2023, European countries suffered from high energy and food prices inflation. Although inflation had gradually slowed down in the second quarter of 2023, weakened consumption sentiment and slow inventory turnover at the retail level had exerted enormous pressure on retailers. These challenges led to a more prudent procurement approach among retailers in new orders and stock replenishment. However, thanks to its expanding customer base resulting from ongoing diversification efforts over the years as well as its timely reaction to the evolving demands of its customers, Town Ray was able to offset the drop-off in demand from certain existing customers with new orders from new customers. As a result, Town Ray recorded a relatively stable revenue for the Period.

Alongside the global supply chain recovery from the impact of COVID-19 pandemic in the Period, the costs of raw materials had primarily stabilised, creating a more favourable environment for the supply side. Internally, the Group had taken proactive approaches to emerge stronger. In-depth trainings had been regularly offered to its staff, ensuring the workforce is equipped with enhanced skill sets to tackle the evolving complexities of the industry. In addition, by adopting new automation systems for logistics, quality assurance and production and implementing Industry 4.0, Town Ray has significantly improved production quality and operation efficiency.

Furthermore, the depreciation of the Renminbi ("**RMB**") against the United States dollars ("**USD**") during the Period resulted in a reduction in operating costs for Town Ray, whose manufacturing base is in China.

By leveraging these favourable competitive advantages and investing in advanced manufacturing technologies, Town Ray enhanced its competitiveness and increased its profitability during the Period.

PROSPECTS

Entering the second half of 2023, Town Ray maintains a cautious yet optimistic stance in light of market developments and potential challenges. According to an updated estimate from Eurostat, the statistical office of the European Union, the euro area annual inflation rate had slowed down for the second consecutive month in June 2023, reaching 5.5% from its peak of 10.6% in October 2022. It is believed that if energy prices fall, food inflation moderates and supply bottlenecks ease, inflation will continue to slow down. While the market may remain sluggish in the short term, Town Ray firmly believes that the worst is behind us. Moreover, Town Ray sees potential emerging from market consolidation, which may squeeze out underperforming competitors during economic instability. Town Ray is well-prepared with an unwavering dedication to maintaining exceptional product quality and services to strengthen its competitive edges and capitalising on available opportunities to expand its market share.

Town Ray's priority continues to focus on product development for maintaining its core advantages. As retailers prepare for an anticipated increase in real household disposable incomes in 2024, they are gearing up to launch new products to meet long-suppressed consumer demand. In line with this trend, Town Ray is releasing new models of coffee machines and steam irons in the second half of 2023 and is planning to release more new products in 2024 that offer enhanced features and an improved user experience. These new products will become growth drivers for Town Ray ahead. Additionally, Town Ray continues to invest in production innovations and breakthroughs in electrothermic household appliances to deliver new value to consumers. By proactively exploring different market segments, Town Ray leverages its electrothermic technology, design, and creativity to offer intelligent products in compact sizes and convenience. These efforts ensure that Town Ray maintains its core product development advantages and continues delivering exceptional value to its customers, which maximises value to the shareholders of the Company ("**Shareholder(s)**").

Client diversification remains a top priority for Town Ray in the foreseeable future. In view of the widespread global penchant for coffee consumption, Town Ray identifies promising opportunities to extend the Group's product footprint into untapped geographies such as Latin America, the Middle East and Southeast Asian nations. The Group has observed a significant number of consumers in these regions who strongly desire to purchase the Group's products through both online and offline channels. Town Ray has been communicating closely with potential customers to identify suitable expansion opportunities and working closely together with customers and market experts to develop tailored solutions and strategies for various markets.

While recognising the challenges in the complex global landscape, Town Ray is committed to maintaining rigorous capital management to ensure strong and healthy cash flow, minimise financial expenses, and provide for efficient use of capital. By closely monitoring market conditions and responding swiftly to market changes, Town Ray is confident that it is well-positioned to leverage its diversity and sustain its competitive edges in the global marketplace.

FINANCIAL REVIEW

Revenue

The total revenue of the Group decreased by approximately HK$20.5 million or approximately 4.9% from approximately HK$417.1 million for the six months ended 30 June 2022 to approximately HK$396.6 million for the six months ended 30 June 2023. Such decrease was mainly attributable to the decrease in the sales of cooking appliances during the Period.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased from approximately HK$121.5 million for the six months ended 30 June 2022 to approximately HK$148.5 million for the six months ended 30 June 2023, representing an increase of approximately HK$27.0 million or approximately 22.2%. The gross profit margin of the Group increased by 8.3 percentage points from approximately 29.1% for the six months ended 30 June 2022 to approximately 37.4% for the six months ended 30 June 2023. The increases in gross profit and gross profit margin were mainly attributable to the decrease in costs as a result of the depreciation in RMB against USD during the Period.

Other Income and Gain, Net

Other income and gain, net of the Group increased from approximately HK$3.4 million for the six months ended 30 June 2022 to approximately HK$9.1 million for the six months ended 30 June 2023. Such increase was due to the bank interest income of approximately HK$2.5 million for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately HK$0.1 million) and the Group recorded an exchange gain of approximately HK$3.6 million for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately HK$1.2 million).

General and Administrative Expenses

General and administrative expenses of the Group increased from approximately HK$40.7 million for the six months ended 30 June 2022 to approximately HK$43.5 million for the six months ended 30 June 2023, representing an increase of approximately HK$2.8 million. Such increase was due to the increase in depreciation expenses of property, plant and equipment of approximately HK$0.9 million from approximately HK$0.9 million for the six months ended 30 June 2022 to approximately HK$1.8 million for the six months ended 30 June 2023, the increase in business travelling expenses of approximately HK$0.8 million from approximately HK$30,000 for the six months ended 30 June 2022 to approximately HK$0.8 million for the six months ended 30 June 2023, and the increase in staff welfare expenses of approximately HK$0.7 million from approximately HK$0.7 million for the six months ended 30 June 2022 to approximately HK$1.4 million for the six months ended 30 June 2023.

Finance Costs

Finance costs of the Group decreased from approximately HK$1.7 million for the six months ended 30 June 2022 to approximately HK$1.4 million for the six months ended 30 June 2023. Such decrease was mainly due to the decrease in approximately HK$0.4 million in interest expense on lease liabilities during the Period.

Income Tax Expense

With the profit before tax of the Group increased by approximately HK$31.3 million from approximately HK$74.5 million for the six months ended 30 June 2022 to approximately HK$105.8 million for the six months ended 30 June 2023, the income tax expense of the Group increased by approximately HK$5.3 million from approximately HK$13.2 million for the six months ended 30 June 2022 to approximately HK$18.5 million for the six months ended 30 June 2023. The effective tax rates for the six months ended 30 June 2022 and 2023 were approximately 17.7% and 17.5%, respectively.

Net Profit

As a result of the foregoing, the net profit of the Group increased by approximately HK$26.0 million, or approximately 42.6%, from approximately HK$61.3 million for the six months ended 30 June 2022 to approximately HK$87.3 million for the six months ended 30 June 2023. The net profit margin of the Group for the six months ended 30 June 2022 and 2023 were approximately 14.7% and 22.0%, respectively, representing an increase of approximately 7.3 percentage points during the Period.

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 2023, 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$3.4 million, of which approximately HK$2.5 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 Period.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities (as at 31 December 2022: 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. During the Period, the Group did not have any financial instruments for hedging purposes or any foreign currency investments which were hedged by currency borrowings and other hedging instruments. However, the management monitors foreign exchange exposure closely to keep the net exposure at an acceptable level.

GEARING RATIO

As at 30 June 2023, the gearing ratio of the Group (calculated by the total of interest-bearing bank borrowings divided by total equity) was approximately 9.7% (as at 31 December 2022: approximately 10.2%). Such decrease was mainly due to the increase in total equity 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 2023, the Group had cash and cash equivalents of approximately HK$203.9 million (as at 31 December 2022: approximately HK$148.9 million). As at 30 June 2023, the current ratio of the Group was approximately 2.2 times (as at 31 December 2022: approximately 1.9 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 Period.

DEBTS AND CHARGES ON ASSETS

The total interest-bearing bank borrowings of the Group amounted to approximately HK$35.0 million as at 30 June 2023 (as at 31 December 2022: approximately HK$35.8 million). As at 30 June 2023, the Group had pledged deposits of approximately HK$0.8 million (as at 31 December 2022: approximately HK$0.1 million) in support of the issue of two letters of credit by two banks and there were mortgage loans of approximately HK$33.8 million (as at 31 December 2022: approximately HK$35.8 million) secured by properties of the Group, which had a carrying value of approximately HK$75.8 million in total. Other than the above, there was no charge made or subsisting on assets of the Group as at 30 June 2023.

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 an epidemic 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 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

(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 30 June 2023, the Group has a total of 1,079 full-time employees (as at 31 December 2022: 1,044). The Group has developed its human resources policies and procedures to determine 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 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 (the "**Share Option Scheme**") adopted by the Company at the annual general meeting held on 25 May 2023 ("**2023 AGM**"). The Group also provides induction and other on-the-job trainings to employees on a regular basis. The total staff costs (excluding directors' remuneration) incurred by the Group during the six months ended 30 June 2023 was approximately HK$56.2 million (during the six months ended 30 June 2022: approximately HK$53.8 million).

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 status of application of the Net Proceeds during the Period:

		Total planned use of Net Proceeds *HK$ million*	Actual use of Net Proceeds from the Listing Date to 30 June 2023 *HK$ million*	Net Proceeds utilised during the Period *HK$ million*	Remaining balance of Net Proceeds as at 30 June 2023 *HK$ million*	Expected timeline for the intended use
(A)	Upgrading production facilities and enhancing production capacity	50.4	48.8	2.5	1.6	By December 2023
(B)	Strengthening product design and development capabilities and increasing product offerings	31.6	16.6	1.7	15.0	By December 2023
(C)	Strengthening customer base	3.0	3.0	0.6	–	–
(D)	Upgrading information technology systems	5.7	2.5	0.2	3.2	By June 2024
Total		90.7	70.9	5.0	19.8	

From the Listing Date to 30 June 2023, the Company utilised approximately HK$70.9 million of Net Proceeds and the unutilised Net Proceeds amounted to approximately HK$19.8 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. However, there has been a further delay in the use of the Net Proceeds for upgrading information technology systems during the Period, since additional time was required to review and analyse the compatibility and functions of different proposals prepared by vendors. It is expected that the portion of the Net Proceeds allocated to upgrading information technology systems will be fully utilised by 30 June 2024.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company believes that an effective corporate governance framework is fundamental to maintaining and promoting investors' confidence, safeguarding interests of Shareholders and other stakeholders and enhancing Shareholders' value. The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") under Appendix 14 to the Rules Governing the Listing of Securities (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 announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. After having made specific enquiry of all 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 announcement.

DIVIDENDS

The Board resolved to declare an interim dividend of HK15.0 cents per share (the "**Interim Dividend**"), totalling approximately HK$53.9 million for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately HK$38.8 million), to Shareholders whose names appear on the register of members of the Company (the "**Register of Members**") at the close of business on Wednesday, 13 September 2023 as the record date.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the identity of the Shareholders who are entitled to receive the Interim Dividend, the Register of Members will be closed from Monday, 11 September 2023 to Wednesday, 13 September 2023 (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, 22 September 2023. 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 Friday, 8 September 2023.

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.

EVENTS AFTER THE REPORTING PERIOD

The Group had no material events for disclosure subsequent to 30 June 2023 and up to the date of this announcement.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 3 October 2019 with specific written terms of reference which clearly sets out its authority and duties.

The Audit Committee is mainly responsible for (a) making recommendations to the Board on the appointment, reappointment and removal of external auditor; (b) reviewing the financial statements and providing material advice in respect of financial reporting; (c) overseeing the financial reporting process, internal control, risk management systems and audit process of the Group; and (d) overseeing the Company's continuing connected transactions. Details of the authority and duties of 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 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.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND THE INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at "www.hkexnews.hk" and on the website of the Company at "www.townray.com". The interim report of the Company for the six months ended 30 June 2023 will be dispatched to the Shareholders and published on the above websites by September 2023 according to the Listing Rules.

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

Hong Kong, 24 August 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.