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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 2024

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately HK\$94.6 million or approximately 23.9% from approximately HK\$396.5 million for the six months ended 30 June 2023 to approximately HK\$301.9 million for the six months ended 30 June 2024.
- Gross profit decreased by approximately HK\$47.8 million or approximately 32.2% from approximately HK\$148.5 million for the six months ended 30 June 2023 to approximately HK\$100.7 million for the six months ended 30 June 2024.
- Gross profit margin decreased by approximately 4.1 percentage points from approximately 37.4% for the six months ended 30 June 2023 to approximately 33.3% for the six months ended 30 June 2024.
- Profit attributable to the equity holders of the Company for the six months ended 30 June 2024 decreased by approximately HK\$38.8 million or approximately 44.4% from approximately HK\$87.3 million for the six months ended 30 June 2023 to approximately HK\$48.5 million for the six months ended 30 June 2024. The net profit margin for the six months ended 30 June 2023 and 2024 were approximately 22.0% and 16.1%, respectively, representing a decrease of approximately 5.9 percentage points.
- Basic earnings per share was approximately HK13.52 cents for the six months ended 30 June 2024 and approximately HK24.33 cents for the six months ended 30 June 2023.
- The Board resolved to declare an interim dividend of HK11.0 cents per share in respect of the six months ended 30 June 2024, totalling approximately HK\$39.5 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 2024, together with the comparative figures for the corresponding period ended 30 June 2023.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
REVENUE	4	301,933	396,551
Cost of sales		<u>(201,268)</u>	<u>(248,067)</u>
Gross profit		100,665	148,484
Other income and gain, net	4	9,183	9,145
Selling and distribution expenses		(7,231)	(8,065)
General and administrative expenses		(44,770)	(43,482)
Other expenses, net		176	1,117
Finance costs		<u>(998)</u>	<u>(1,394)</u>
PROFIT BEFORE TAX	5	57,025	105,805
Income tax expense	6	<u>(8,492)</u>	<u>(18,467)</u>
PROFIT FOR THE PERIOD		<u>48,533</u>	<u>87,338</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted		<u>HK13.52 cents</u>	<u>HK24.33 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	48,533	87,338
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(1,365)</u>	<u>(7,943)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>47,168</u>	<u>79,395</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		79,690	78,130
Right-of-use assets		117,104	70,648
Deposits paid for purchases of items of property, plant and equipment		12,630	1,970
Prepayments		159	212
Deferred tax assets		2,702	2,364
Total non-current assets		212,285	153,324
CURRENT ASSETS			
Inventories		115,187	60,100
Trade receivables	9	135,520	67,040
Prepayments, deposits and other receivables		26,247	9,016
Tax recoverable		61	61
Pledged deposits		1,534	88
Cash and cash equivalents		157,033	187,719
Total current assets		435,582	324,024
CURRENT LIABILITIES			
Trade payables	10	124,947	42,855
Other payables and accruals		107,154	43,531
Interest-bearing bank borrowings		19,845	21,386
Lease liabilities		13,083	12,501
Tax payable		10,629	8,898
Total current liabilities		275,658	129,171
NET CURRENT ASSETS		159,924	194,853
TOTAL ASSETS LESS CURRENT LIABILITIES		372,209	348,177

	30 June 2024	31 December 2023
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Accrual	240	412
Lease liabilities	31,907	–
Deferred tax liabilities	2,425	3,087
	<hr/>	<hr/>
Total non-current liabilities	34,572	3,499
	<hr/>	<hr/>
Net assets	337,637	344,678
	<hr/>	<hr/>
EQUITY		
Issued capital	3,590	3,590
Reserves	334,047	341,088
	<hr/>	<hr/>
Total equity	337,637	344,678
	<hr/>	<hr/>

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 2024 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 2023.

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 2023, 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 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “ 2020 Amendments ”)
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the “ 2022 Amendments ”)
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

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	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Europe	270,240	340,155
Asia	24,002	44,073
United States	3,347	12,063
Others	4,344	260
	<u>301,933</u>	<u>396,551</u>
Total revenue	<u>301,933</u>	<u>396,551</u>

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

(b) Non-current assets

	As at	As at
	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong	101,544	81,844
Chinese Mainland	108,039	69,116
	<u>209,583</u>	<u>150,960</u>
Total non-current assets	<u>209,583</u>	<u>150,960</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:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	84,257	164,359
Customer C	64,691	N/A*
Customer B	42,986	42,523

* Less than 10% of revenue

4. REVENUE, OTHER INCOME AND GAIN, NET

An analysis of revenue is as follows:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	301,933	396,551

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	3,381	2,521
Consultancy income	1,891	2,448
Rental income	23	–
Government subsidies*	149	–
Foreign exchange differences, net	3,475	3,559
Others	264	617
Total other income and gain, net	9,183	9,145

* 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	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	201,268	248,067
Depreciation of property, plant and equipment*	7,651	7,219
Depreciation of right-of-use assets*	7,345	7,290
Lease payments not included in the measurement of lease liabilities	10	24
Reversal of impairment of trade receivables, net [^]	(182)	(1,125)
(Reversal of write-down)/write-down of inventories to net realisable value*	(2,664)	4,549

* The cost of sales for the period included depreciation charge of property, plant and equipment of HK\$5,716,000 (six months ended 30 June 2023: HK\$5,451,000), depreciation charge of right-of-use assets of HK\$5,438,000 (six months ended 30 June 2023: HK\$5,538,000) and reversal of write-down of inventories to net realisable value of HK\$2,664,000 (six months ended 30 June 2023: write-down of inventories to net realisable value of HK\$4,549,000).

[^] 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 2023: 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 (2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 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	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current — Hong Kong		
Charge for the period	5,849	12,793
Current — Chinese Mainland		
Charge for the period	3,826	8,934
(Overprovision)/underprovision in prior periods	(187)	892
Deferred	(996)	(4,152)
Total tax charge for the period	8,492	18,467

7. DIVIDENDS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividend recognised as distribution during the period:		
Final 2023 — HK15.1 cents		
(2022: HK19.3 cents) per ordinary share	<u>54,209</u>	<u>69,287</u>
Dividend proposed after the end of the reporting period:		
Proposed interim 2024 — HK11.0 cents		
(2023: HK15.0 cents) per ordinary share	<u>39,490</u>	<u>53,850</u>

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\$48,533,000 (six months ended 30 June 2023: HK\$87,338,000), and the weighted average number of ordinary shares of 359,000,000 (six months ended 30 June 2023: 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 2024 and 2023.

9. TRADE RECEIVABLES

	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	135,769	67,471
Impairment	<u>(249)</u>	<u>(431)</u>
Net carrying amount	<u>135,520</u>	<u>67,040</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 four 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 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 30 days	74,742	25,904
31 to 90 days	52,580	26,124
Over 90 days	8,198	15,012
Total	135,520	67,040

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 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 30 days	48,355	11,330
31 to 90 days	74,805	26,775
Over 90 days	1,787	4,750
Total	124,947	42,855

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

BUSINESS REVIEW

In the first half of 2024, Town Ray navigated through a challenging economic landscape marked by geopolitical tensions, persistent inflation, military conflicts between Russia and Ukraine affecting consumers' demand, and disruptions to logistics stemming from the military hostilities in the Middle East region. European retailers experienced a drop in consumers' spending, including in electrothermic household products, as inflation led to a shrink in purchasing power and compelled households to prioritise essential purchases. This resulted in certain customers of the Group taking destocking measures, which led to a decrease in demand for the Group's electrothermic household appliances during the six months ended 30 June 2024 (the "**Period**").

Unlike the exchange rate of the Renminbi ("**RMB**") against the US dollar ("**USD**") experiencing a substantial and continuous decline in the six months ended 30 June 2023, which resulted in a high-profit base for the six months ended 30 June 2023, the exchange rate of RMB against USD remained in a mild downward trend during the Period. As a result, the financial results for the Period do not benefit much from the depreciation of RMB against USD as compared to that for the six months ended 30 June 2023.

Despite the challenging macroeconomic conditions, Town Ray remained committed to its strategic initiatives, including customer diversification, continuous product innovation, production optimisation and stringent financial discipline. By the beginning of the third quarter of 2024, the Group observed that the destocking measures implemented by the said customers of the Group were substantially concluded, and discussions for new orders for existing and new models of the Group's electrothermic household appliances have resumed, bringing an additional optimism for the second half of 2024.

PROSPECTS

Town Ray maintains a cautious yet optimistic stance about the performance in the second half of 2024. This positive outlook is driven by stock replenishment orders from customers of the Group who have substantially completed destocking measures and placed orders for new models of the Group's electrothermic household appliances in the second half of 2024. Following the introduction of new models of the Group's electrothermic household appliances in the second half of last year, which showcased significant advancements in design aesthetics and functional versatility, the Group is set to deliver the first batch of these new products to its customers later this year. These new models, which are customised to meet target consumer preferences, have received enthusiastic and positive feedback from existing and new customers of the Group. By expanding the product portfolio, the brand customers of the Group are excited to rejuvenate their brand image, explore new markets, and embrace the return of long-suppressed consumer demand. Town Ray believes these new models will drive mid-term growth in its business. At the same time, the demand for traditional product lines remains stable, which allows the Group to maintain its advantage and presence in existing domains while exploring new territories in different product segments and geographic locations.

Customer diversification remains a pivotal strategic focus for the Group. While its current client base is predominantly European by geographical location, the Group is actively pursuing opportunities outside Europe to broaden its global reach. By expanding its market presence beyond Europe, the Group aims to cultivate a more geographically balanced portfolio and establish a resilient foundation for sustainable growth and market expansion.

In preparation for sustainable long-term growth, the Group has been continuously upgrading the automation level of its assembly lines in its production facilities in the People's Republic of China (the "PRC"). The Group expects to complete the automation projects on hand in 2025. Ongoing automation initiatives will continue in the following years. These upgrades in production facilities will significantly enhance product quality, reduce labour costs, and support the Group's ongoing business expansion. The automation initiatives underscore the Group's commitment to innovation and efficiency, positioning it to meet evolving market demands and maintain a competitive edge in the industry.

FINANCIAL REVIEW

Revenue

The total revenue of the Group decreased by approximately HK\$94.6 million or approximately 23.9% from approximately HK\$396.5 million for the six months ended 30 June 2023 to approximately HK\$301.9 million for the six months ended 30 June 2024. Such a decrease was mainly attributable to the decrease in the sales of cooking appliances during the Period, as a result of the customers' destocking measures as elaborated above.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by approximately HK\$47.8 million or approximately 32.2% from approximately HK\$148.5 million for the six months ended 30 June 2023 to approximately HK\$100.7 million for the six months ended 30 June 2024. The gross profit margin of the Group decreased by approximately 4.1 percentage points from approximately 37.4% for the six months ended 30 June 2023 to approximately 33.3% for the six months ended 30 June 2024. The decreases in gross profit and gross profit margin were mainly attributable to the decrease in the sales of cooking appliances during the Period.

Other Income and Gain, Net

Other income and gain, net of the Group slightly increased from approximately HK\$9.1 million for the six months ended 30 June 2023 to approximately HK\$9.2 million for the six months ended 30 June 2024. Such an increase was mainly due to the receipt of government grants of approximately HK\$0.1 million during the Period.

Selling and Distribution Expenses

Selling and distribution expenses of the Group decreased by approximately HK\$0.8 million from approximately HK\$8.0 million for the six months ended 30 June 2023 to approximately HK\$7.2 million for the six months ended 30 June 2024. Such a decrease was mainly due to the decrease in advertising and promotion expenses of approximately HK\$0.9 million from approximately HK\$1.9 million for the six months ended 30 June 2023 to approximately HK\$1.0 million for the six months ended 30 June 2024 due to the absence of advertising and promotion fees payable to an independent service provider during the Period.

General and Administrative Expenses

General and administrative expenses of the Group increased by approximately HK\$1.3 million from approximately HK\$43.5 million for the six months ended 30 June 2023 to approximately HK\$44.8 million for the six months ended 30 June 2024. Such an increase was mainly due to the increase in employee benefit expense (including directors' remuneration) of approximately HK\$1.2 million from approximately HK\$28.2 million for the six months ended 30 June 2023 to approximately HK\$29.4 million for the six months ended 30 June 2024.

Finance Costs

Finance costs of the Group decreased by approximately HK\$0.4 million from approximately HK\$1.4 million for the six months ended 30 June 2023 to approximately HK\$1.0 million for the six months ended 30 June 2024. Such a decrease was due to the decrease in approximately HK\$0.3 million in interest expense on lease liabilities and approximately HK\$0.1 million in interest expense on bank loans for operations during the Period.

Income Tax Expense

With the profit before tax of the Group decreased by approximately HK\$48.8 million from approximately HK\$105.8 million for the six months ended 30 June 2023 to approximately HK\$57.0 million for the six months ended 30 June 2024, the income tax expense of the Group decreased by approximately HK\$10.0 million from approximately HK\$18.5 million for the six months ended 30 June 2023 to approximately HK\$8.5 million for the six months ended 30 June 2024. The effective tax rates for the six months ended 30 June 2023 and 2024 were approximately 17.5% and 14.9%, respectively, representing a decrease of approximately 2.6 percentage points during the Period.

Net Profit

As a result of the foregoing, the net profit of the Group decreased by approximately HK\$38.8 million, or approximately 44.4%, from approximately HK\$87.3 million for the six months ended 30 June 2023 to approximately HK\$48.5 million for the six months ended 30 June 2024. The net profit margin of the Group for the six months ended 30 June 2023 and 2024 were approximately 22.0% and 16.1%, respectively, representing a decrease of approximately 5.9 percentage points during the Period.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period.

CAPITAL COMMITMENTS

As at 30 June 2024, 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\$16.3 million (as at 31 December 2023: approximately HK\$1.5 million), of which approximately HK\$7.5 million will be settled through the net proceeds (the “**Net Proceeds**”) raised from the share offer (the “**Share Offer**”) of the Company for the listing (the “**Listing**”) of its 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 2024, the Group did not have any material contingent liabilities (as at 31 December 2023: 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 2024, the gearing ratio of the Group (calculated by the total of interest-bearing bank borrowings divided by total equity) was approximately 5.9% (as at 31 December 2023: approximately 6.2%). Such a decrease was mainly due to the decrease in interest-bearing bank borrowings of the Group during the Period.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group operates a conservative set of funding and treasury policies to preserve the value of the Group's assets and ensure that no unnecessary risk is taken with respect to the Group's assets. No financial instrument other than cash and bank deposits were held by the Group during the Period.

The Group has principally funded the liquidity and capital requirements through capital contributions from the shareholders of the Company ("**Shareholder(s)**"), bank borrowings and net cash generated from operating activities. As at 30 June 2024, the Group had cash and cash equivalents of approximately HK\$157.0 million (as at 31 December 2023: approximately HK\$187.7 million). Most of the Group's cash and bank deposits were denominated in USD and RMB. As at 30 June 2024, the current ratio of the Group was approximately 1.6 times (as at 31 December 2023: approximately 2.5 times). The financial resources presently available to the Group include cash and cash equivalents, 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. During the Period, the Group did not hold or sell any treasury shares.

DEBTS AND CHARGES ON ASSETS

The total interest-bearing bank borrowings of the Group amounted to approximately HK\$19.8 million as at 30 June 2024 (as at 31 December 2023: approximately HK\$21.4 million). As at 30 June 2024, the Group had pledged deposits of approximately HK\$1.5 million (as at 31 December 2023: approximately HK\$0.1 million) in support of the issue of five letters of credit by two banks and there were mortgage loans of approximately HK\$19.3 million (as at 31 December 2023: approximately HK\$20.5 million) secured by properties of the Group, which had a carrying value of approximately HK\$72.7 million (as at 31 December 2023: approximately HK\$74.3 million) in total. Other than the above, there was no charge made or subsisting on assets of the Group as at 30 June 2024.

The maturity profile of the bank borrowings of the Group as at each respective period end was as follows:

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within one year	3,056	3,090
In the second year	2,487	2,750
In the third to fifth years, inclusive	7,462	7,462
Beyond five years	6,840	8,084
Total	19,845	21,386

All bank borrowings made by the Group were denominated in Hong Kong Dollar and none of the bank borrowings were at a fixed interest rates. As at 30 June 2024, all bank borrowings of the Group were at floating interest rates with reference to the Hong Kong Interbank offered Rate (HIBOR).

PRINCIPAL RISKS AND UNCERTAINTIES

The followings are some principal risks and uncertainties faced by the Group, which may materially adversely affect its business, financial condition or results of operations:

- (i) The Group's business and operations 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 conflicts between Russia and Ukraine and in the Middle East region, which may affect the European or even the global's supply chain and logistics, consumers' sentiment and demand, raw materials and production prices, interest rates and inflation rates. Such ongoing conflicts 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 (the "**Prospectus**") of the Company dated 15 October 2019.

SIGNIFICANT INVESTMENTS HELD

Except for the Company's investment in various subsidiaries, the Company did not hold any significant investments as at 30 June 2024.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had a total of 1,089 full-time employees (as at 31 December 2023: 993). 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 continuing education subsidies, provident fund contributions, medical insurance coverage, annual leave, discretionary bonus 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. 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 Period was approximately HK\$54.4 million (during the six months ended 30 June 2023: approximately HK\$56.2 million).

USE OF PROCEEDS FROM THE SHARE OFFER

The Net Proceeds from the issue of 100,000,000 new ordinary shares of the Company at HK\$1.30 each by way of the Share Offer received by the Company 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. From the Listing Date to 31 December 2023, the Company utilised approximately HK\$73.9 million of the Net Proceeds. The amount of unutilised Net Proceeds brought forward to the beginning of the Period from the year ended 31 December 2023 were approximately HK\$16.8 million. Below table sets out the status of application of the Net Proceeds during the Period:

	Total planned use of Net Proceeds <i>HK\$ million</i>	Actual use of Net Proceeds from the Listing Date to 30 June 2024 <i>HK\$ million</i>	Net Proceeds utilised during the Period <i>HK\$ million</i>	Remaining balance of Net Proceeds as at 30 June 2024 <i>HK\$ million</i>	Expected timeline for the intended use
(A) Upgrading production facilities and enhancing production capacity	50.4	50.4	–	–	–
(B) Strengthening product design and development capabilities and increasing product offerings	31.6	21.9	3.9	9.7	By December 2024
(C) Strengthening customer base	3.0	3.0	–	–	–
(D) Upgrading information technology systems	5.7	3.3	0.8	2.4	By June 2025
Total	90.7	78.6	4.7	12.1	

From the Listing Date to 30 June 2024, the Company utilised approximately HK\$78.6 million of the Net Proceeds and the unutilised Net Proceeds as at 30 June 2024 amounted to approximately HK\$12.1 million. The Company has used the Net Proceeds 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 allocated for upgrading information technology systems during the Period, since additional time was required to review and analyse the compatibility and functions of different proposals of the new information technology systems prepared by vendors. It is expected that the remaining balance of the Net Proceeds allocated to upgrading information technology systems will be fully utilised by 30 June 2025.

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 Corporate Governance Code (the “**CG Code**”) under Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance. In the opinion of the Directors, the Company has complied with all the applicable 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 C3 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 HK11.0 cents per share (the “**Interim Dividend**”), totalling approximately HK\$39.5 million for the six months ended 30 June 2024 (six months ended 30 June 2023: approximately HK\$53.9 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, 13 September 2024 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 Wednesday, 11 September 2024 to Friday, 13 September 2024, 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 Monday, 23 September 2024. 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, 10 September 2024.

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 2024 and up to the date of this announcement.

REVIEW BY AUDIT COMMITTEE

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

The Audit Committee is mainly responsible for (i) making recommendations to the Board on the appointment, re-appointment and removal of external auditor; (ii) reviewing the financial statements and providing material advice in respect of financial reporting; (iii) overseeing the financial reporting process, internal controls, risk management systems and audit process of the Group; and (iv) 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 four independent non-executive Directors, namely Ms. Chan Tak Yi (Chairperson), Mr. Choi Chi Leung Danny, Mr. Chan Shing Jee and Ms. Leung Lai Yee Edwina. The composition of the Audit Committee meets the requirements of Rule 3.21 of the Listing Rules.

The interim results as disclosed in this announcement and the unaudited interim condensed consolidated financial information of the Group for the Period have not been audited or reviewed by auditor, but have been reviewed by the Audit Committee, who is of the opinion that the unaudited interim condensed consolidated financial information of the Group for the Period has complied with the applicable accounting standards, the Listing Rules, and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND 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 Period will be published on the above websites in September 2024 according to the requirements under the Listing Rules.

APPRECIATION

The Board would like to thank our management team and all our staff members for their effort and significant contribution to the Group. 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, 23 August 2024

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. Choi Chi Leung Danny, Mr. Chan Shing Jee, Ms. Chan Tak Yi and Ms. Leung Lai Yee Edwina as independent non-executive Directors.