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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately HK\$119.3 million or approximately 14.5% from approximately HK\$823.7 million for the year ended 31 December 2022 to approximately HK\$704.4 million for the year ended 31 December 2023.
- Gross profit decreased by approximately HK\$17.1 million or approximately 6.5% from approximately HK\$262.5 million for the year ended 31 December 2022 to approximately HK\$245.4 million for the year ended 31 December 2023.
- Gross profit margin increased by approximately 2.9 percentage points from approximately 31.9% for the year ended 31 December 2022 to approximately 34.8% for the year ended 31 December 2023.
- Profit attributable to the equity holders of the Company for the year ended 31 December 2023 decreased by approximately HK\$12.1 million or approximately 9.0% from approximately HK\$134.3 million for the year ended 31 December 2022 to approximately HK\$122.2 million for the year ended 31 December 2023. The net profit margin for the years ended 31 December 2022 and 2023 were approximately 16.3% and 17.3%, respectively, representing an increase of approximately 1.0 percentage point.
- Basic earnings per share was approximately HK34.04 cents for the year ended 31 December 2023 and approximately HK37.41 cents for the year ended 31 December 2022.
- The Board has resolved to recommend a final dividend of HK15.1 cents per share for the year ended 31 December 2023, which is subject to the approval of the Company's shareholders at the 2024 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 2023, together with the comparative figures for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
REVENUE	4	704,417	823,658
Cost of sales		<u>(459,042)</u>	<u>(561,198)</u>
Gross profit		245,375	262,460
Other income and gains, net	4	14,471	11,078
Selling and distribution expenses		(17,213)	(15,035)
General and administrative expenses		(93,965)	(91,845)
Other expenses, net		679	(1,655)
Finance costs		<u>(2,587)</u>	<u>(3,972)</u>
PROFIT BEFORE TAX	5	146,760	161,031
Income tax expense	6	<u>(24,554)</u>	<u>(26,720)</u>
PROFIT FOR THE YEAR		<u>122,206</u>	<u>134,311</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted		<u>HK34.04 cents</u>	<u>HK37.41 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE YEAR	122,206	134,311
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>(4,317)</u>	<u>(20,359)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>117,889</u>	<u>113,952</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		78,130	79,783
Right-of-use assets		70,648	85,331
Deposits paid for purchases of items of property, plant and equipment		1,970	3,963
Prepayments		212	181
Deferred tax assets		2,364	1,848
Total non-current assets		153,324	171,106
CURRENT ASSETS			
Inventories		60,100	146,623
Trade receivables	9	67,040	98,067
Prepayments, deposits and other receivables		9,016	17,047
Tax recoverable		61	–
Pledged deposits		88	87
Cash and cash equivalents		187,719	148,920
Total current assets		324,024	410,744
CURRENT LIABILITIES			
Trade payables	10	42,855	79,726
Other payables and accruals		43,531	76,997
Interest-bearing bank borrowings		21,386	35,755
Lease liabilities		12,501	12,683
Tax payable		8,898	5,746
Total current liabilities		129,171	210,907
NET CURRENT ASSETS		194,853	199,837
TOTAL ASSETS LESS CURRENT LIABILITIES		348,177	370,943
NON-CURRENT LIABILITIES			
Accrual		412	584
Lease liabilities		–	12,005
Deferred tax liabilities		3,087	8,428
Total non-current liabilities		3,499	21,017
Net assets		344,678	349,926
EQUITY			
Issued capital		3,590	3,590
Reserves		341,088	346,336
Total equity		344,678	349,926

NOTES

31 December 2023

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 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**”) 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 new and revised HKFRSs for the first time for the current year’s financial statements.

HKFRS17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (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. Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.
- (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. 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*

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Europe	617,319	743,512
Asia	70,727	54,035
United States	13,069	20,109
Others	3,302	6,002
	<hr/>	<hr/>
Total revenue	704,417	823,658

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

(b) *Non-current assets*

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	81,844	84,944
Chinese Mainland	69,116	84,314
	<hr/>	<hr/>
Total non-current assets	150,960	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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	243,544	332,544
Customer B	79,492	163,396
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4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers	<u>704,417</u>	<u>823,658</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank interest income	6,132	877
Consultancy income	4,381	1,396
Government subsidies*	135	2,899
Foreign exchange differences, net	2,720	5,335
Gain on early termination of a lease	–	4
Others	<u>1,103</u>	<u>567</u>
Total other income and gains, net	<u>14,471</u>	<u>11,078</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):

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories sold	459,042	561,198
Depreciation of property, plant and equipment*	14,322	12,449
Depreciation of right-of-use assets*	14,413	15,469
Impairment/(reversal of impairment) of trade receivables, net [^]	(694)	1,024
Write-down of inventories to net realisable value*	<u>14,913</u>	<u>1,451</u>

* The cost of sales for the year included depreciation charge of property, plant and equipment of HK\$10,643,000 (2022: HK\$10,104,000), depreciation charge of right-of-use assets of HK\$10,923,000 (2022: HK\$11,425,000) and write-down of inventories to net realisable value of HK\$14,913,000 (2022: HK\$1,451,000).

[^] Included in "Other expenses, 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% (2022: 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 (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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	14,547	11,139
Overprovision in prior years	(12)	(20)
Current — Chinese Mainland		
Charge for the year	14,933	13,285
Underprovision in prior years	880	—
Deferred	<u>(5,794)</u>	<u>2,316</u>
Total tax charge for the year	<u>24,554</u>	<u>26,720</u>

7. DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Final 2022 — HK19.3 cents (2021: HK16.0 cents) per ordinary share	69,287	57,440
Interim 2023 — HK15.0 cents (2022: HK10.8 cents) per ordinary share	<u>53,850</u>	<u>38,772</u>
Total	<u>123,137</u>	<u>96,212</u>
Dividend proposed after the end of the reporting period:		
Proposed final 2023 — HK15.1 cents (2022: HK19.3 cents) per ordinary share	<u>54,209</u>	<u>69,287</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\$122,206,000 (2022: HK\$134,311,000), and the weighted average number of ordinary shares of 359,000,000 (2022: 359,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

9. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	67,471	99,192
Impairment	<u>(431)</u>	<u>(1,125)</u>
Net carrying amount	<u>67,040</u>	<u>98,067</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	25,904	58,157
31 to 90 days	26,124	36,706
Over 90 days	<u>15,012</u>	<u>3,204</u>
Total	<u>67,040</u>	<u>98,067</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	11,330	34,403
31 to 90 days	26,775	43,004
Over 90 days	4,750	2,319
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Total	42,855	79,726
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The trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 60 days.

BUSINESS REVIEW

The complex economic landscape in 2023 was marked by various factors, including a large-scale outbreak of COVID-19 pandemic at the beginning of the year ended 31 December 2023 (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. Notably, European countries experienced severe economic pressures due to high rates of inflation, which reduced consumer spending on non-necessities. While European retailers contended with reduced consumption and inventory-related issues, and at times, destocking, Town Ray managed to sustain stable order volumes by diversifying its customer base and adapting to evolving demands from different regions. Despite having smaller order sizes during the Year, the depreciation of the Renminbi (“**RMB**”) against the United States dollar (“**USD**”) helped to reduce the Group’s operating costs and improve gross profit margin for the Year.

Throughout the Year, the Group maintained a rigorous financial approach, engaged in cash flow management diligently, and optimised operational efficiency through prudent inventory control. This disciplined financial strategy not only bolstered Town Ray’s robust financial position but also enhanced its adaptability to seize strategic opportunities in a constantly evolving business landscape. Additionally, internal initiatives, such as comprehensive workforce training, adopting automation systems for production and implementation of the Industry 4.0 standards, contributed significantly to the improvement in production quality and operation efficiency. These initiatives aimed to enhance the Group’s competitiveness and strengthen its position in the market during the Year.

PROSPECTS

Stepping into 2024, Town Ray maintains a cautious perspective for its future growth. While there are some positive factors such as consistent interest rate policy maintained by the US Federal Reserve since the fourth quarter of 2023, coupled with market expectations of a rate cut in 2024, there are still uncertainties that impact consumers' sentiment. On the other hand, the destocking measures implemented by European retailers are expected to conclude, mainly by the second half of 2024, setting the stage for a fresh wave of stock replenishments and subsequent order growth.

Internally, Town Ray's unwavering commitment to product development, which is aimed at preserving its core advantages, has achieved positive results. Town Ray will plan to launch several new models of electrothermic cooking appliances in the second half of 2024. These new products are well-positioned to support the upcoming launches by Town Ray's customers, aligning with the anticipated rise in consumers' real household disposable incomes and the resurgence of demand in the second half of 2024. More importantly, these new electrothermic cooking appliances represent a significant leap in innovation and design, underpinned by manufacturing advancements. These innovations will empower Town Ray to tap into the higher-end market segment while maintaining competitive pricing, solidifying its position as an industry leader. Recognising shifting consumer preferences, the Group has diversified its product lines by introducing fresh design elements that appeal to younger consumers, with an aim to offer Town Ray's customers the means to rejuvenate their brand image for exploring new markets and driving sales. As part of its strategy to tap into more diversified market segments, Town Ray is set to release a range of electrothermic cooking appliance models with versatile functionality. These new products have gained substantial interest and positive feedback from the customers. Production of some of the new models will be started in the second half of 2024.

Customer diversification remains a fundamental strategy for Town Ray in the foreseeable future. As the Group introduces its newly designed products to reinvigorate its customers' markets, Town Ray actively engages in expanding its customer base. The Group maintains ongoing dialogue with potential customers and collaborates closely with industry experts to identify expansion opportunities and develop tailor-made solutions to cater for the demands of the enormous electrothermic appliance market.

FINANCIAL REVIEW

Revenue

The total revenue of the Group decreased by approximately HK\$119.3 million or approximately 14.5% from approximately HK\$823.7 million for the year ended 31 December 2022 to approximately HK\$704.4 million for the year ended 31 December 2023. Such a decrease was mainly attributable to the decrease in the sales of cooking appliances during the Year.

Gross Profit and Gross Profit Margin

The gross profit margin of the Group increased by approximately 2.9 percentage points from approximately 31.9% for the year ended 31 December 2022 to approximately 34.8% for the year ended 31 December 2023. The increase in gross profit margin was mainly attributable to the depreciation in RMB against USD, the decrease in raw material costs and the decrease in overhead during the Year. The gross profit of the Group decreased from approximately HK\$262.5 million for the year ended 31 December 2022 to approximately HK\$245.4 million for the year ended 31 December 2023, representing a decrease of approximately HK\$17.1 million or approximately 6.5%. The decrease in gross profit was primarily attributable to the decrease in revenue as a result of a decrease in sales of cooking appliances during the Year.

Other Income and Gains, Net

Other income and gains, net of the Group increased from approximately HK\$11.1 million for the year ended 31 December 2022 to approximately HK\$14.5 million for the year ended 31 December 2023. Such an increase was mainly due to the increase in bank interest income of approximately HK\$5.2 million from approximately HK\$0.9 million for the year ended 31 December 2022 to approximately HK\$6.1 million for the year ended 31 December 2023, resulted from the combined effect of higher deposit interest rates and an increase in bank deposits during the Year.

Selling and distribution expenses

Selling and distribution expenses of the Group increased from approximately HK\$15.0 million for the year ended 31 December 2022 to approximately HK\$17.2 million for the year ended 31 December 2023, representing an increase of approximately HK\$2.2 million. Such an increase was mainly due to the increase in advertising and promotion expenses from approximately HK\$1.3 million for the year ended 31 December 2022 to approximately HK\$3.2 million for the year ended 31 December 2023.

General and Administrative Expenses

General and administrative expenses of the Group increased from approximately HK\$91.8 million for the year ended 31 December 2022 to approximately HK\$94.0 million for the year ended 31 December 2023, representing an increase of approximately HK\$2.2 million. Such an increase was mainly due to the increase in business travelling expenses of approximately HK\$1.9 million from approximately HK\$0.5 million for the year ended 31 December 2022 to approximately HK\$2.4 million for the year ended 31 December 2023.

Finance Costs

Finance costs of the Group decreased from approximately HK\$4.0 million for the year ended 31 December 2022 to approximately HK\$2.6 million for the year ended 31 December 2023. Such a decrease was due to the decrease in approximately HK\$0.7 million in interest expense on bank loans for operations and approximately HK\$0.7 million in interest expense on lease liabilities during the Year.

Income Tax Expense

With the profit before tax of the Group decreased by approximately HK\$14.2 million from approximately HK\$161.0 million for the year ended 31 December 2022 to approximately HK\$146.8 million for the year ended 31 December 2023, the income tax expense of the Group decreased by approximately HK\$2.1 million from approximately HK\$26.7 million for the year ended 31 December 2022 to approximately HK\$24.6 million for the year ended 31 December 2023. The effective tax rates for the years ended 31 December 2022 and 2023 were approximately 16.6% and 16.7%, respectively.

Net Profit

As a result of the foregoing, the net profit of the Group decreased by approximately HK\$12.1 million or approximately 9.0% from approximately HK\$134.3 million for the year ended 31 December 2022 to approximately HK\$122.2 million for the year ended 31 December 2023. The net profit margin of the Group for the years ended 31 December 2022 and 2023 were approximately 16.3% and 17.3%, respectively, representing an increase of approximately 1.0 percentage point during the Year.

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 Year.

CAPITAL COMMITMENTS

As at 31 December 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 consolidated financial statements, in the total amount of approximately HK\$1.5 million, of which approximately HK\$0.6 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 2023.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities (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 Year, 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group entered into the provisional agreements for sale and purchase of properties which are located at (i) Car Parking Space No. P15 on the Ground Floor (the “**Car Parking Space**”), (ii) Workshop B on 7th Floor (the “**Workshop 7B**”), and (iii) Workshop A on 7th Floor (the “**Workshop 7A**”), Reason Group Tower, No. 403 Castle Peak Road - Kwai Chung, Kwai Chung, New Territories, Hong Kong with respective independent third parties at the consideration of approximately HK\$2.2 million, HK\$8.6 million and HK\$8.9 million on 12 January 2024, 25 January 2024 and 31 January 2024, respectively. The formal agreements for sale and purchase of the Car Parking Space, Workshop 7B and Workshop 7A were signed on 29 January 2024, 19 February 2024 and 11 March 2024, respectively. The acquisition of the Car Parking Space was completed on 29 February 2024 and the completion of the acquisitions of Workshop 7A and Workshop 7B is expected to be on or before 8 April 2024. The Car Parking Space is purchased for the Group’s own use. Upon completion of the acquisitions of Workshop 7A and Workshop 7B, the Company intends to expand the existing workshop, godown and ancillary office of the Group in Hong Kong to Workshop 7A and Workshop 7B. The Group financed the acquisition of the Car Parking Space and intends to finance the acquisitions of Workshop 7A and Workshop 7B by its own internal resources.

Save as disclosed above, the Group did not have any specific plans for material investments and capital assets as at 31 December 2023 and the date of this announcement.

GEARING RATIO

As at 31 December 2023, the gearing ratio of the Group (calculated by the total of interest-bearing bank borrowings divided by total equity) was approximately 6.2% (2022: approximately 10.2%). Such a decrease was mainly due to the decrease in interest-bearing bank borrowings of the Group.

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 year ended 31 December 2023.

The Group has principally funded the liquidity and capital requirements through capital contributions from the shareholders of the Company (the "Shareholders"), bank borrowings and net cash generated from operating activities. As at 31 December 2023, the Group had cash and cash equivalents of approximately HK\$187.7 million (2022: approximately HK\$148.9 million). Most of the Group's cash and bank deposits were denominated in USD and RMB. As at 31 December 2023, the current ratio of the Group was approximately 2.5 times (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 Year.

DEBTS AND CHARGES ON ASSETS

The total interest-bearing bank borrowings of the Group amounted to approximately HK\$21.4 million as at 31 December 2023 (2022: approximately HK\$35.8 million). As at 31 December 2023, the Group had pledged deposits of approximately HK\$0.1 million (2022: approximately HK\$0.1 million) in support of the issue of three letters of credit by two banks and there were mortgage loans of approximately HK\$20.5 million (2022: approximately HK\$35.8 million) secured by properties of the Group, which had a carrying value of approximately HK\$74.3 million (2022: approximately HK\$77.4 million) in total. Other than the above, there was no charge made or subsisting on assets of the Group as at 31 December 2023.

The maturity profile of the bank borrowings of the Group is as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	3,090	3,851
In the second year	2,750	3,851
In the third to fifth years, inclusive	7,462	11,551
Beyond five years	8,084	16,502
	<hr/>	<hr/>
Total	21,386	35,755
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All bank borrowings made by the Group were denominated in Hong Kong Dollar and none of the bank borrowings were at a fixed interested rates. As at 31 December 2023, all bank borrowings of the Group were at floating interest rates with reference to the Hong Kong Interbank Offered Rate (HIBOR).

SIGNIFICANT INVESTMENTS HELD

Except for the Company's investment in various subsidiaries, the Company did not hold any significant investments as at 31 December 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 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 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, production prices, interest rates and inflation rates. 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 2023, the Group has a total of 993 full-time employees (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 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 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 year ended 31 December 2023 was approximately HK\$120.4 million (2022: approximately HK\$116.1 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 wastes. 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 code provisions (the "**Code Provision(s)**") set out in the Corporate Governance Code (the "**CG Code**") under Appendix C1 (previously Appendix 14) to 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 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 2024 according to the requirements under the Listing Rules.

USE OF PROCEEDS FROM THE SHARE OFFER

The Net Proceeds of 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 2022, the Company utilised approximately HK\$65.9 million of Net Proceeds, and therefore the amount of unutilised Net Proceeds brought forward to the beginning of the year ended 31 December 2023 from the year ended 31 December 2022 were approximately HK\$24.8 million. Below table sets out the status of application of the Net Proceeds during the Year:

	Total planned use of Net Proceeds <i>HK\$ million</i>	Actual use of Net Proceeds from the Listing Date to 31 December 2023 <i>HK\$ million</i>	Net Proceeds utilised during the Year <i>HK\$ million</i>	Remaining balance of Net Proceeds as at 31 December 2023 <i>HK\$ million</i>	Expected timeline for the intended use
(A) Upgrading production facilities and enhancing production capacity	50.4	50.4	4.1	-	-
(B) Strengthening product design and development capabilities and increasing product offerings	31.6	18.0	3.1	13.6	By December 2024
(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	73.9	8.0	16.8	

From the Listing Date to 31 December 2023, the Company utilised approximately HK\$73.9 million of Net Proceeds and the unutilised Net Proceeds as at 31 December 2023 amounted to approximately HK\$16.8 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 strengthening product design and development capabilities and increasing product offerings 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. It is expected that the remaining balance of the Net Proceeds allocated to strengthening product design and development capabilities and increasing product offerings will be fully utilised by 31 December 2024.

DIVIDEND

The Directors resolved to recommend the payment of a final dividend of HK15.1 cents per share for the year ended 31 December 2023 (2022: HK19.3 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 Friday, 21 June 2024 ("**2024 AGM**").

ANNUAL GENERAL MEETING

The 2024 AGM is scheduled to be held on Friday, 21 June 2024. A notice convening the 2024 AGM will be issued and despatched to the Shareholders according to the applicable law, the articles of association of the Company 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 2024 AGM, the register of members of the Company (the "**Register of Members**") will be closed from Tuesday, 18 June 2024 to Friday, 21 June 2024, 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 2024 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 Monday, 17 June 2024.

Subject to the approval of the Shareholders at the 2024 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 Thursday, 27 June 2024 to Friday, 28 June 2024, the period during which no transfer of shares will be effected. The final dividend, if approved at the 2024 AGM, is expected to be paid on or before Thursday, 11 July 2024 to the Shareholders whose names appear on the Register of Members on Friday, 28 June 2024. 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 Wednesday, 26 June 2024.

EVENTS AFTER THE REPORTING PERIOD

As disclosed in the paragraph headed “Future Plans for Material Investments and Capital Assets” in this announcement above, the Company entered into sale and purchase agreements in January 2024 to acquire the Car Parking Space, Workshop 7A and Workshop 7B. The acquisition of the Car Parking Space was completed on 29 February 2024 and the completion of the acquisitions of Workshop 7A and Workshop 7B is expected to be on or before 8 April 2024.

Save as disclosed above, the Group had no other material events for disclosure subsequent to 31 December 2023 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**”) set out in Appendix C3 (previously 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 2023 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 five independent non-executive Directors, namely Mr. Chan Ping Yim (Chairman), Mr. Choi Chi Leung Danny, Mr. Chan Shing Jee, Ms. Chan Tak Yi and Ms. Leung Lai Yee Edwina. 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 2023 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 2023 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 2023 will be despatched to the Shareholders and published on the above websites in April 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 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, 18 March 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. Chan Ping Yim, Mr. Choi Chi Leung Danny, Mr. Chan Shing Jee, Ms. Chan Tak Yi and Ms. Leung Lai Yee Edwina as independent non-executive Directors.