

TARGET

Intelligence Report

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TOWN RAY HOLDINGS LTD:

**FIGURES CAN PROVE (OR DISPROVE) JUST ABOUT ANYTHING,
BUT TRUTH WILL, INVARIABLY, BE BROUGHT TO THE TABLE**

While a cursory glance at the financials of Town Ray Holdings Ltd () (Code: 1692, Main Board, The Stock Exchange of Hongkong Ltd) in respect of the three Financial Years, ended December 31, 2018, might appear to indicate a glowing picture of a corporate entity's Bottom Lines, with the Company, seemingly having entered the fast lane, actually, on careful analysis, this is far from the actual situation.

Because, inter alia, in terms of this Company's Bottom Lines with regard to its principal activities, disregarding Extraordinary Items (Nonrecurring Gains), the 2017 Financial Year's financial results represented a decrease of about 15.38 percent, Year-On-Year.

The 2017 Financial Year's Net Profit Attributable to Shareholders was materially bolstered by the '*Gain on disposal of assets held for sale*' in the amount of \$HK30,029,000.00 (see Appendix I-29 of the Share Offer Prospectus).

This is far from being everything, however, since, as one delves more deeply into the financials of Town Ray Holdings Ltd, one learns of many other interesting and negative aspects.

This Company is said to be in the business of being a designer and manufacturer of electrothermic household appliances.

It is not supposed to be engaged in selling land in the **People's Republic of China (PRC)** to a petty governmental entity, as was the case in respect of the \$HK30,029,000.00 windfall profit that boosted the 2017 Financial Year's Bottom Line.

(More about the financials of this Company, later on in this analysis.)

The Initial Public Offering (IPO) Of Town Ray Holdings Ltd

On Tuesday, October 15, 2019, Town Ray Holdings Ltd published and disseminated its Share Offer Prospectus in the **Hongkong Special Administrative Region (HKSAR)** of the **People's Republic of China (PRC)**.

Management Offered a total of 100 million, one-cent Shares at the Indicative Offer Price Per Share of between \$HK1.30 and \$HK1.50.

HKSAR Investors were given the opportunity to subscribe to 10 million Offer Shares (the HKSAR Public Offer Shares tranche) and (presumably) International Investors – Institutional Investors, Professional Investors and Well-Heeled Investors, along with their corporate entities in which this class of investor had equity control – were encouraged to subscribe to 90 million Offer Shares via select Share Placements (the Placing Offer Shares tranche).

On Thursday, October 24, 2019, Management of Town Ray Holdings Ltd announced that the Offer Price Per Share had been struck at \$HK1.30, Management's lowest-acceptable level with regard to the Indicative Offer Price Per Share.

Management, also, stated that the Company had been enriched to the extent of \$HK90.50 million from the Share Offer.

One was informed that the HKSAR Public Offer Shares tranche had been '*very significantly over-subscribed*', equivalent to 274.49 times the 10 million Public Offer Shares, initially available for subscription in this Offer Shares tranche.

As for the Placing Offer Shares tranche, it had been '*moderately over-subscribed*', the Announcement of the

Offer Price and the Allotment Results stated.

The number of valid applications for Offer Shares in this tranche represented approximately 1.34 times the 90 million Placing Shares, initially available for subscription in this tranche.

At Pages Seven and Eight of this Announcement, one was informed as to how the Company, presently intended to apply the net proceeds of the Share Offer:

- Approximately, \$HK50.40 million, that is about 55.70 percent, *'will be used for upgrading the Group's production facilities and enhancing the Group's production capacity, in particular (i) approximately HK\$32.5 million will be earmarked for acquiring additional units of machinery for new production facilities and upgrading existing production facilities in the Huizhou Factory; (ii) approximately HK\$9.3 million will be earmarked for increasing the level of automation in the Group's production process by acquiring more automated robots to assist the Group in the manufacturing of plastic casings and parts, metal casings and parts, electronic components and quality control; (iii) approximately HK\$6.7 million will be earmarked for upgrading the Group's existing factory building facilities; and (iv) approximately HK\$1.9 million will be earmarked for acquiring additional power transformer for the Group's production facilities in view of the increase in production scale in the Huizhou Factory'*;

- Approximately, \$HK31.60 million, that is about 34.90 percent, *'will be used for strengthening the Group's product design and development capabilities and increasing the Group's product offerings, in particular (i) approximately HK\$29.9 million for expanding and enhancing the Group's product range by developing new ODM (Original Design Manufacturing) models; (ii) approximately HK\$1.5 million for recruiting additional engineers and designers; and (iii) approximately HK\$0.2 million for strengthening the Group's product design and development capabilities by purchasing and implementing additional equipment and software'*;

- Approximately, \$HK2.80 million, that is about 3.10 percent, *'will be used for strengthening the Group's customer base, in particular (i) approximately HK\$1.3 million will be earmarked for attending the exhibitions held in Europe, Hong Kong and Latin America, conducting site visits to both existing and potential overseas customers to enhance the Group's market presence in the international market and to expand the geographic coverage of the Group's products and the Group's customers base, and subscribing for market data to enhance the Group's sales activities; (ii) approximately HK\$1.2 million will be earmarked for recruiting sales executives who will be responsible for identifying the potential customers; and (iii) approximately HK\$0.3 million will be earmarked for providing product samples to existing and potential customers for marketing purpose'*; and,

- Approximately, \$HK5.70 million, that is about 6.30 percent, *'will be used for upgrading the Group's information technology systems, in particular (i) approximately HK\$4.4 million will be earmarked for purchasing a new version of ERP (Enterprise Resource*

Planning) system to cover wider aspects in the Group's daily operations and enhance electronic data interchange and data direct linkage; (ii) approximately HK\$1.3 million will be earmarked for provision of staff training on the usage and system infrastructure, as well as provision of system maintenance and system development after the system upgrade.'

The History And Business Of Town Ray Holdings Ltd

Dr Charles Chan Kam Kwong () and Ms Connie Cheng Yuk Sim (), who is also known as Ms Connie Cheng Yuk Yee (), were the Co-Founders of Town Ray Holdings Ltd.

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