RAYMOND Industrial Ltd
利民實業有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 0229)**

# ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The Board (the "**Board**") of Directors ( the "**Directors**") of Raymond Industrial Limited (the "**Company**") is pleased to announce the audited results of the Company and its subsidiaries (together the "**Group**") for the year ended 31 December 2018, together with comparative figures for last year as follows:

**Consolidated statement of profit or loss**
*(Expressed in Hong Kong dollars)*

| | *Note* | **2018** *HK$'000* | 2017 *HK$'000* |
|---|---|---|---|
| **Revenue** | *4* | **1,285,918** | 997,697 |
| Cost of sales | | **(1,092,494)** | (847,973) |
| **Gross profit** | | **193,424** | 149,724 |
| Other revenue | *5* | **3,211** | 1,208 |
| Other net income | *5* | **4,705** | 5,232 |
| Selling expenses | | **(29,001)** | (12,679) |
| General and administrative expenses | | **(110,041)** | (96,842) |
| **Profit from operations** | | **62,298** | 46,643 |
| Finance costs | | **-** | (198) |
| **Profit before taxation** | *6* | **62,298** | 46,445 |
| Income tax | *7* | **(9,724)** | (9,983) |
| **Profit for the year attributable to equity shareholders of the Company** | | **52,574** | 36,462 |
| **Earnings per share** | *9* | | |
| Basic, HK cents | | **10.71** | 7.54 |
| Diluted, HK cents | | **10.62** | 7.45 |

**Consolidated statement of profit or loss and other comprehensive income**
*(Expressed in Hong Kong dollars)*

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Profit for the year** | **52,574** | 36,462 |
| **Other comprehensive (loss)/income for the year:** | | |
| Item that may be reclassified subsequently to profit or loss: | | |
| – Exchange differences on translation of financial statements of foreign operations, net of nil tax | **(13,363)** | 21,048 |
| **Total comprehensive income for the year attributable to equity shareholders of the Company** | **39,211** | 57,510 |

**Consolidated statement of financial position**

*(Expressed in Hong Kong dollars)*

| | Note | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *10* | **184,011** | 165,581 |
| Interests in leasehold land held for own use under operating leases | *10* | **6,664** | 7,403 |
| Deferred tax assets | | **3,296** | 5,296 |
| | | **193,971** | 178,280 |
| **Current assets** | | | |
| Inventories | | **170,995** | 139,310 |
| Trade and other receivables | *11* | **289,831** | 214,469 |
| Tax recoverable | | **2,140** | - |
| Cash and cash equivalents | *12* | **190,007** | 263,777 |
| | | **652,973** | 617,556 |
| **Current liabilities** | | | |
| Trade and other payables | *13* | **229,599** | 195,347 |
| Dividends payable | | **258** | 232 |
| Tax payable | | **4,737** | 4,162 |
| | | **234,594** | 199,741 |
| **Net current assets** | | **418,379** | 417,815 |
| **Total assets less current liabilities** | | **612,350** | 596,095 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **181** | 734 |
| **NET ASSETS** | | **612,169** | 595,361 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **461,807** | 453,723 |
| Reserves | | **150,362** | 141,638 |
| **TOTAL EQUITY** | | **612,169** | 595,361 |

## 1 BASIS OF PREPARATION

These financial statements has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

The financial information relating to the year ended 31 December 2018 included in this preliminary announcement of annual results 2018 do not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company will deliver the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance in due course.

The Company's auditor has reported on the financial statements of the Group for the year ended 31 December 2018. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance

## 2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

- HKFRS 9, Financial Instruments
- HKFRS 15, Revenue from Contracts with Customers
- HK(IFRIC) Interpretation 22, Foreign Currency Transactions and Advance Consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

This note explains the impact of the adoption of HKFRS 9, HKFRS 15 and HK(IFRIC) Interpretation 22 on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different from those applied in prior periods.

(a) HKFRS 9, Financial Instruments

HKFRS 9 replaces HKAS 39, Financial Instruments: Recognition and Measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. There is no significant impact on the Group's financial position and financial performance upon initial application at 1 January 2018.

Further details of the nature and effect of the changes of accounting policies and the transition approach are set out below:

(i) Classification and measurement

HKFRS 9 largely retains the existing requirements in HKAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

## 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) HKFRS 9, Financial Instruments (continued)

(i) Classification and measurement (continued)

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under HKFRS 9, the classification for all of the Group's financial assets and financial liabilities measured at amortised cost remain the same. The carrying amounts for all financial assets and financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, and amounts due from subsidiaries in the Company's statement of financial position).

There is no impact of transition to HKFRS 9 on retained earnings as at 1 January 2018.

(b) HKFRS 15, Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for revenue from construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

## 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 15, Revenue from Contracts with Customers (continued)

There is no significant impact on the Group's financial position and financial performance upon initial application at 1 January 2018. Comparative information continues to be reported under HKAS 18.

Further details of the nature and effect of the changes of accounting policies and the transition approach are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identified 3 situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; and
- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach does not materially affect the point in time when revenue is recognised under the Group's current contract terms, business practice and accounting policy.

## 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 15, Revenue from Contracts with Customers (continued)

(i) Timing of revenue recognition (continued)

Revenue from sales of electrical home appliances continues to be recognised at a point in time. Currently the Group recognises revenue at the point in time when the risks and rewards of ownership of the electrical home appliances have been transferred to the customer. Under the transfer-of-control approach in HKFRS 15, revenue is generally recognised in accordance with shipping terms stipulated in contracts, which is the point in time when the customer has the ability to direct the use of the finished goods and obtain substantially all of the remaining benefits of the finished goods.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods and this change in accounting policy has no material impact on opening balances as at 1 January 2018.

(ii) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers.

The adoption of HKFRS 15 does not have a significant impact on when the Group adjusts for a significant financing component and this change in accounting policy had no material impact on opening balances as at 1 January 2018.

(iii) Sales with a right of return

When the customers are allowed to return the products, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group does not adjust sales with a right to return with the customers except for quality defects. Based on past experience, sales return due to quality defects is not material.

The adoption of HKFRS 15 does not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return.

(iv) Presentation of contract liabilities

Under HKFRS 15, a contract liability is recognised when a customer pays consideration or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. To reflect this change in presentation, the Group has made an adjustment at 1 January 2018 as a result of adoption of HKFRS 15 in which contract liabilities regarding receipts in advance from customers, with an amount of approximately HK$2,651,000, are now separately presented under trade and other payables.

At 31 December 2018, the Group had no further balance of contract liabilities regarding receipts in advance from customers.

(c) HK(IFRIC) Interpretation 22, Foreign Currency Transactions and Advance Consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial performance of the Group.

## 3 SEGMENT REPORTING

The Group is principally engaged in the manufacture and sale of electrical home appliances. In a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of resource allocation and performance assessment, the Group has identified six reportable segments on a geographical basis: Japan, the United States, the People's Republic of China (the "PRC"), Europe, Asia(excluding Japan and the PRC) and rest of the world. The electrical home appliances are manufactured in the Group's manufacturing facilities located in the PRC. The "rest of the world" segment covers sales of electrical home appliances to customers in Australia, Canada, South America and Africa.

### (a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of tax balances. Segment liabilities include trade creditors, contract liabilities, accrued charges and other payables, with the exception of tax balances and dividends payable, attributable to the manufacture and sale activities of the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from other revenue and net income, and the depreciation and amortisation of assets attributable to those segments.

The measurement used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation". To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning inter-segment sales, interest income and expense from cash balances managed directly by the segments, depreciation and amortisation and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

## 3 SEGMENT REPORTING (CONTINUED)

### (a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year is set out below.

| | Electrical home appliances | | | | | | |
|---|---|---|---|---|---|---|---|
| | **The United States** | **The PRC** | **Japan** | **Europe** | **Asia (excluding Japan and The PRC)** | **Rest of the world** | **Total** |
| | **2018** | **2018** | **2018** | **2018** | **2018** | **2018** | **2018** |
| | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** |
| Revenue from external customers | **300,708** | **294,304** | **265,297** | **321,231** | **61,389** | **42,989** | **1,285,918** |
| Inter-segment revenue | **-** | **522,585** | **-** | **-** | **1,008,268** | **-** | **1,530,853** |
| **Reportable segment revenue recognised at a point in time** | **300,708** | **816,889** | **265,297** | **321,231** | **1,069,657** | **42,989** | **2,816,771** |
| **Reportable segment profit (adjusted EBITDA)** | **22,651** | **22,168** | **8,907** | **24,197** | **117,786** | **3,237** | **198,946** |
| **Reportable segment assets as at 31 December 2018** | **-** | **446,922** | **-** | **-** | **515,813** | **-** | **962,735** |
| **Reportable segment liabilities as at 31 December 2018** | **-** | **(176,479)** | **-** | **-** | **(174,347)** | **-** | **(350,826)** |
| **Additions to non-current segment assets during the year** | **-** | **56,833** | **-** | | **2,256** | **-** | **59,089** |

## 3 SEGMENT REPORTING (CONTINUED)

### (a) Segment results, assets and liabilities (continued)

| | Electrical home appliances | | | | | | |
|---|---|---|---|---|---|---|---|
| | The United States 2017 HK$'000 | The PRC 2017 HK$'000 | Japan 2017 HK$'000 | Europe 2017 HK$'000 | Asia (excluding Japan and The PRC) 2017 HK$'000 | Rest of the world 2017 HK$'000 | Total 2017 HK$'000 |
| Revenue from external customers | 252,748 | 133,418 | 303,819 | 215,201 | 45,803 | 46,708 | 997,697 |
| Inter-segment revenue | - | 514,848 | - | - | 905,420 | - | 1,420,268 |
| Reportable segment revenue recognised at a point in time | 252,748 | 648,266 | 303,819 | 215,201 | 951,223 | 46,708 | 2,417,965 |
| Reportable segment profit (adjusted EBITDA) | 17,105 | 9,028 | 20,559 | 14,564 | 91,099 | 3,161 | 155,516 |
| Reportable segment assets as at 31 December 2017 | - | 363,942 | - | - | 557,338 | - | 921,280 |
| Reportable segment liabilities as at 31 December 2017 | - | (99,109) | - | - | (211,070) | - | (310,179) |
| Additions to non-current segment assets during the year | - | 36,699 | - | - | 1,787 | - | 38,486 |

## 3 SEGMENT REPORTING (CONTINUED)

### (b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | | |
| Reportable segment revenue | **2,816,771** | 2,417,965 |
| Elimination of inter-segment revenue | **(1,530,853)** | (1,420,268) |
| Consolidated revenue | **1,285,918** | 997,697 |

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Profit** | | |
| Reportable segment profit | **198,946** | 155,516 |
| Elimination of inter-segment profits | **(113,162)** | (87,999) |
| Reportable segment profit derived from Group's external customers | **85,784** | 67,517 |
| Other revenue and net income | **7,916** | 6,440 |
| Depreciation and amortisation | **(31,402)** | (27,314) |
| Finance costs | **-** | (198) |
| Consolidated profit before taxation | **62,298** | 46,445 |

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Assets** | | |
| Reportable segment assets | **962,735** | 921,280 |
| Elimination of inter-segment receivables | **(121,227)** | (130,740) |
| | **841,508** | 790,540 |
| Tax recoverable | **2,140** | - |
| Deferred tax assets | **3,296** | 5,296 |
| Consolidated total assets | **846,944** | 795,836 |

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Liabilities** | | |
| Reportable segment liabilities | **(350,826)** | (310,179) |
| Elimination of inter-segment payables | **121,227** | 114,832 |
| | **(229,599)** | (195,347) |
| Dividends payable | **(258)** | (232) |
| Tax payable | **(4,737)** | (4,162) |
| Deferred tax liabilities | **(181)** | (734) |
| Consolidated total liabilities | **(234,775)** | (200,475) |

## 3 SEGMENT REPORTING (CONTINUED)

### (c) Major customers

Revenue from major customers, each of whom amounted to 10% or more of the total revenue, is set out below:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A | **260,007** | 295,284 |
| Customer B | **253,359** | 269,800 |
| Customer C | **200,264** | 171,089 |
| Customer D | **N/A*** | 114,805 |
| Customer E | **185,120** | - |

*The corresponding revenue did not contribute 10% or more of the Group's revenue.

## 4 REVENUE

The principal activities of the Group are the manufacture and sale of electrical home appliances. Revenue from sale of electrical home appliances is recognised at point in time when the control over the promised products are transferred to customers upon the agreed shipping terms stipulated in contracts.

Revenue represents the sales value of goods supplied to customers, net of discounts, returns and value added tax or other sales taxes.

## 5 OTHER REVENUE AND OTHER NET INCOME

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Other revenue** | | |
| Bank interest income | **3,211** | 1,208 |
| **Other net income** | | |
| Net gain on disposal of scrap materials | **1,239** | 1,010 |
| Net exchange gain | **1,442** | 2,747 |
| Net loss on disposal of property, plant and equipment | **(776)** | (1,032) |
| Sample sales income | **1,629** | 632 |
| Subsidy income | **356** | 1,036 |
| Sundry income | **815** | 839 |
| | **4,705** | 5,232 |

## 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| (a) Finance cost: | | |
| Interest on invoice financing | **-** | 198 |
| (b) Staff costs | | |
| Salaries, wages and other benefits | **230,997** | 163,370 |
| Discretionary bonuses | **4,714** | 5,845 |
| Contributions to defined contribution retirement plans | **17,869** | 15,482 |
| | **253,580** | 184,697 |
| (c) Other items | | |
| Cost of inventories sold# | **1,092,494** | 847,973 |
| Amortisation of interests in leasehold land held for own use under operating leases | **398** | 386 |
| Depreciation | **31,004** | 26,928 |
| Claims on sales^ | **11,076** | - |
| Auditor's remuneration | **692** | 692 |
| Product development costs* | **44,315** | 31,160 |

# Cost of inventories includes approximately HK$224,550,000 (2017: HK$154,129,000) relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

* Product development costs include approximately HK$19,317,000 (2017: HK$17,524,000) relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

^ Pursuant to an agreement with a customer, the Company agreed to compensate certain claims by this customer arising from defective goods with totaling US$1,429,000 (equivalent to HK$11,076,000) and will be settled by agreed instalments. This compensation was recognised in profit or loss and included in "Selling expenses" during the year.

## 7 INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Current tax – Hong Kong Profits Tax** | | |
| Provision for the year | **963** | 3,291 |
| **Current tax – PRC Enterprise Income Tax** | | |
| Provision for the year | **10,084** | 7,298 |
| Tax recovered arising from a change in tax rate | **(2,634)** | - |
| Over-provision in respect of prior years | **-** | (923) |
| | **7,450** | 6,375 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **1,311** | 317 |
| Income tax expense | **9,724** | 9,983 |

Note:

(i) Hong Kong Profits Tax

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "Ordinance"). Under the two-tiered profits tax rate regime, the first HK$2,000,000 of assessable profits of a qualifying corporation, which only one qualifying corporation within the Group is selected, is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The Ordinance is effective from the year of assessment 2018 – 2019.

Accordingly, the provision for Hong Kong Profits Tax for the qualifying corporation for the year ended 31 December 2018 is calculated in accordance with the two-tiered profits tax rate regime (2017: a single tax rate of 16.5% was applied) whereas the provision for other Hong Kong incorporated corporations are charged at 16.5% (2017: 16.5%).

(ii) PRC Enterprise Income Tax

A subsidiary in the PRC was qualified as a high and new technology enterprise in December 2017 and can enjoy a preferential tax rate of 15% (2017: 25%).

## 8 FINAL AND SPECIAL DIVIDENDS

**(i)** Dividends payable to equity shareholders of the Company attributable to the year

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interim dividend declared and paid of 2 HK cents per ordinary share (2017: 2 HK cents per ordinary share) | **9,876** | 9,718 |
| Final dividend proposed after the end of the reporting period of 4 HK cents per ordinary share (2017: 4 HK cents per ordinary share) | **19,753** | 19,437 |
| Special dividend proposed after the end of the reporting period of 2 HK cents per ordinary share (2017: Nil ) | **9,876** | - |
| | **39,505** | 29,155 |

The final and special dividends proposed after the end of the reporting period have not been recognised as liabilities at the end of the reporting period.

**(ii)** Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Final dividend in respect of the previous financial year, approved and paid during the year, of 4 HK cents per ordinary share (2017: 4 HK cents per ordinary share) | **19,553** | 19,425 |
| Special dividend in respect of the previous financial year, approved and paid during the year, of nil cents per ordinary share (2017: 2 HK cents per ordinary share) | **-** | 9,712 |
| | **19,553** | 29,137 |

## 9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to equity shareholders of the Company of HK$52,574,000 (2017: HK$36,462,000) and the weighted average number of ordinary shares of 490,856,000 (2017: 483,500,000) shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

| | **2018** | 2017 |
|---|---|---|
| | ***'000*** | *'000* |
| Issued ordinary shares at 1 January | **485,917** | 479,872 |
| Effect of share options exercised | **4,939** | 3,628 |
| Weighted average number of ordinary shares at 31 December | **490,856** | 483,500 |

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the year attributable to equity shareholders of the Company of HK$52,574,000 (2017: HK$36,462,000) and the weighted average number of ordinary shares of 494,850,000 (2017: 489,261,000) shares (diluted), calculated as follows:

Weighted average number of ordinary shares (diluted)

| | **2018** | 2017 |
|---|---|---|
| | ***'000*** | *'000* |
| Weighted average number of ordinary shares at 31 December | **490,856** | 483,500 |
| Effect of deemed issue of shares under the Company's share option scheme for nil consideration | **3,994** | 5,761 |
| Weighted average number of ordinary shares (diluted) at 31 December | **494,850** | 489,261 |

## 10 PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND

| | Property, plant and equipment *HK$'000* | Interests in leasehold land held for own use under operating leases *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2017 | 536,547 | 15,017 | 551,564 |
| Exchange adjustments | 35,722 | 1,149 | 36,871 |
| Additions | 38,486 | - | 38,486 |
| Disposals | (13,448) | - | (13,448) |
| At 31 December 2017 | 597,307 | 16,166 | 613,473 |
| At 1 January 2018 | 597,307 | 16,166 | 613,473 |
| Exchange adjustments | (26,302) | (775) | (27,077) |
| Additions | 59,089 | - | 59,089 |
| Disposals | (9,368) | - | (9,368) |
| At 31 December 2018 | 620,726 | 15,391 | 636,117 |
| **Accumulated amortisation and depreciation** | | | |
| At 1 January 2017 | 391,216 | 7,766 | 398,982 |
| Exchange adjustments | 24,889 | 611 | 25,500 |
| Charge for the year | 26,928 | 386 | 27,314 |
| Disposals | (11,307) | - | (11,307) |
| At 31 December 2017 | 431,726 | 8,763 | 440,489 |
| At 1 January 2018 | 431,726 | 8,763 | 440,489 |
| Exchange adjustments | (17,867) | (434) | (18,301) |
| Charge for the year | 31,004 | 398 | 31,402 |
| Disposals | (8,148) | - | (8,148) |
| At 31 December 2018 | 436,715 | 8,727 | 445,442 |
| **Carrying value** | | | |
| At 31 December 2018 | 184,011 | 6,664 | 190,675 |
| At 31 December 2017 | 165,581 | 7,403 | 172,984 |

## 11 TRADE AND OTHER RECEIVABLES

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade debtors | **261,565** | 194,209 |
| Other debtors | **20,525** | 12,754 |
| Deposits and prepayments | **7,741** | 7,506 |
| | **289,831** | 214,469 |

All of the trade and other receivables, apart from certain deposits amounting to HK$1,531,000 (2017: HK$1,148,000), are expected to be recovered or recognised as expenses within one year.

The ageing analysis of trade debtors as of the end of the reporting period, based on invoice date, is as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 month | **85,823** | 66,673 |
| More than 1month but less than 3 months | **127,551** | 85,816 |
| More than 3 months bur less than 12 months | **47,840** | 41,715 |
| Over 12 months | **351** | 5 |
| | **261,565** | 194,209 |

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are due within 30 to 120 days from the date of billing.

## 12 CASH AND CASH EQUIVALENTS

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Time deposits | **117,816** | 201,667 |
| Cash at bank and in hand | **72,191** | 62,110 |
| | **190,007** | 263,777 |

## 13 TRADE AND OTHER PAYABLES

| | **31 December 2018 HK$'000** | 1 January 2018 HK$'000 | 31 December 2017 HK$'000 |
|---|---|---|---|
| Trade creditors | **170,420** | 145,870 | 145,870 |
| Accrued charges and other payables | **59,179** | 48,826 | 49,477 |
| Contract liabilities regarding sales of electrical home appliances (note) | **-** | 2,651 | - |
| | **229,599** | 195,347 | 195,347 |

All of the trade and other payables are expected to be settled within one year.

The ageing analysis of trade creditors as of the end of the reporting period, based on invoice date, is as follows:

| | **2018** ***HK$'000*** | 2017 *HK$'000* |
|---|---|---|
| Within 1 month | **63,803** | 71,040 |
| More than 1month but less than 3 months | **100,470** | 66,730 |
| More than 3 months bur less than to 12 months | **5,183** | 7,285 |
| Over 12 months | **964** | 815 |
| | **170,420** | 145,870 |

Note:

As a result of adoption of HKFRS 15, using the cumulative effect transition method, receipts in advance from customers have been presented separately as contract liabilities and opening balances at 1 January 2018 has been adjusted accordingly.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

When the Group receives a deposit, which depends on specific sales orders' terms and new customers, this will give rise to contract liabilities. The remainder of consideration is payable when the promised goods are transferred to customers upon the shipping terms stipulated in contracts.

Movements in contract liabilities

| | *HK$'000* |
|---|---|
| At 1 January 2018 | **2,651** |
| Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at 1 January 2018 | **(2,651)** |
| At 31 December 2018 | - |

## BUSINESS REVIEW

## OPERATION RESULTS

During the financial year ("**FY**") of 2018, the Group faced the challenges of increasing operating costs and lower US sales growth impeded by the US China trade dispute. During the 4th quarter, the Group also faced appreciation of US dollars against Renmibi. Despite all these uncertainties, the Group managed to outperform compared with most of our peers because of our focus on research and development ("**R&D**") and innovations. Business growth momentum continues as R&D expenditures in 2018 brought positive results. Consequently, for FY2018, the Group's consolidated turnover increased to HK$1,285,918,000, representing an increase of 28.89% as compared with the same period in the previous year. Net profit of the Group was HK$52,574,000, representing a significant increase of 44.19%, as compared with the net profit of HK$36,462,000 of the same period in FY2017. Cash generated from operations was HK$15,286,000 in FY2018. Cash and cash equivalents at the end of FY2018 was HK$190,007,000 (of which HK$29,403,000 were dividend paid out during FY2018) as compared with HK$263,777,000 at the beginning of FY2018. The positive operating cash flow and substantial cash balances enable the Group to continue paying dividends to the shareholders. At the same time, the Group continues to invest excess cash in R&D, new technology and automation equipment. Consequently, the Group was qualified to become a High Technology Venture in the People's Republic of China (the "**PRC**").

At the end of 2017, the Group received qualification of the High and New Technology Enterprise ("**HNTE**") in the PRC. Because of the attainment of this HNTE status, the Group is aware that increased R&D expenses may cause short-term and medium-term profits fluctuation due to product cycle theory. To increase the speed to transmit relevant and up-to-date information to investors, the board of directors of the Company (the "**Board**") voluntarily adopts quarterly reporting since the first quarter of 2018 to ensure that accurate financial information, as well as the Group's most updated business strategies, can be conveyed to the public and investors. The Group has invested prudently to integrate and update the information technology systems and automated production processes, so that the Group's strategies can be updated and react to changes quickly. In FY2018, the Group invested HK$59,089,000 (compared with HK$38,486,000 in 2017) to set up new semi-automated production lines for a series of new products, purchased injection moulding machines and laboratory testing equipment to strengthen our R&D capabilities. Part of the increased capital expenditure was related to new R&D projects in order to fulfill the High Technology Venture minimum annual investment requirement; and we hope the investment in these R&D projects will generate more sales revenue in 2019. Qualifying for the High Technology venture status would enable the Group to enjoy lower profit tax rate and receive tax incentives from the PRC Chinese Government; and increase our competitiveness among our peers.

The Group's net profit in FY2018 was HK$52,574,000, representing basic earnings per share of 10.71 Hong Kong cents (net profit in FY2017 was HK$36,462,000, with basic earnings per share of 7.54 Hong Kong cents).

## FINAL DIVIDEND AND SPECIAL DIVIDEND

The board of directors (the "**Board**") of the Company has proposed a final dividend of 4 Hong Kong cents per ordinary share and special dividend of 2 Hong Kong cents per ordinary share for the year ended 31 December 2018. The proposed final dividend and special dividend, if approved by the shareholders at the forthcoming annual general meeting, will be paid on Thursday, 13 June 2019 to the shareholders whose names appear on the register of members of the Company on Thursday, 6 June 2019.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the following periods:

(1) For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting to be held on Friday, 24 May 2019 (the "**2019 AGM**"), the register of members

of the Company will be closed from Monday, 20 May 2019 to Friday, 24 May 2019, both days inclusive. In order to be qualified for attending and voting at the 2019 AGM, all transfer documents, accompanied by the relevant share certificates, should be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 17 May 2019.

(2) For the purpose of determining shareholders who are qualified for the final dividend and special dividend, the register of members of the Company will be closed from Monday, 3 June 2019 to Thursday, 6 June 2019, both days inclusive. In order to be qualified for the final dividend and special dividend, all transfer documents, accompanied by the relevant share certificates, should be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 31 May 2019.

## FINANCIAL POSITION

The liquidity position of the Group was satisfactory. Its current ratio was 2.78 as of 31 December 2018, compared with 3.10 as of 31 December 2017. The gearing ratio was 0.38 as of 31 December 2018 (31 December 2017: 0.33) and it was computed by the total liabilities over the net assets.

During FY2018, the Group's trade receivables turnover stood at 74 days, compared with 71 days in FY2017. The inventory turnover in FY2018 was 57 days, compared with 60 days in FY2017.

Bank balances and cash were HK$190,007,000 as of 31 December 2018 (2017: HK$263,777,000), representing a decrease of HK$73,770,000 as compared to the figures in the same period in FY2017, which was mainly due to higher level of inventory and higher capital expenditure and R&D expenditure.

There were no bank borrowings as of 31 December 2018, and the Group's debt to equity ratio was 38% as of 31 December 2018 (2017: 33%).

The Group had no contingent liabilities as of 31 December 2018 (2017: Nil).

## CHARGES ON ASSETS

The Group had no charges on assets as of 31 December 2018 (2017: Nil).

## FOREIGN EXCHANGE EXPOSURE

Most of the Group's transactions were conducted in the United States dollars, British Pound, Hong Kong dollars and Renminbi. The Group does not foresee any substantial exposure to foreign currency fluctuations and thus use of financial instruments for exchange rate hedging purpose is not considered.

## FUTURE PROSPECTS

In light of the straining relationship between China and USA, the Group's management continues to launch more new products in the PRC and overseas. We adopt a blue ocean strategy in FY 2018 to increase sales in both PRC and Europe tapping into the niche markets. This business strategy should enable the Group to generate more revenue with higher valued-added customized new products to avoid the adverse impact of China US trade dispute. The Group's management has identified several new niche markets to use our new technologies and the Group's management has invested in setting up a new laboratory equipped with high speed camera and more sophisticated test equipment to develop more innovative grooming and air purification new products. The Group's investment in R&D enables us to maintain the HNTE status and allow the Group to use new knowledge, patents and innovations developed in the past few years to find new business opportunities to grow.

In FY2019, the Group expects to place even more resources in R&D and will have several joint development programs with our customers and higher educational institutions and research centers. We expect to launch new products with IoT (Internet of Things) technology and connectivity, and gradually incorporate features that would transform traditional small household appliances into smart appliances that can collect personalize user experience data and/or communicate with end users.

In order to support the development and production of more new products, the Group continues to invest in upgrading the remote access of web-based operating systems; "Smart" robotic system in facilitating injection moulding and paint spraying processes; a custom-built injection moulding monitoring system to keep track of moulding cycles, moulding history and tooling life; and a remote access monitoring system that top management can watch and monitor operations at the manufacturing facilities. New Fiber-optics network, ERP system upgrade, and full implementation of bar code system to reduce logistics and warehousing costs are ongoing projects to enhance the Group's management to make data driven decision for lean process optimization.

Instead of setting Key Performance Indicator ("**KPI**") target for employees to try to look good and compete with each other, the Group's management will emphasize performance leadership in FY2019 to foster a new culture that emphasizes on teams work to solve problems and stay market competitive, instead of working to meet performance KPIs that focused on past and obsolete processes, rather than processes more relevant to the future success of the Group.

## CORPORATE SOCIAL RESPONSIBILITIES AND COMMITMENT

## WORKPLACE QUALITY

The Group focused on 4 areas to enhance workplace quality:

(i) Working conditions: The Group's labour policies were in full compliance with the labour laws of the PRC and Hong Kong as applicable to the staff in the corresponding locations. The working hours, benefits and welfares of all staff and workers were also in compliance with the corresponding local labour laws and fulfilled the working condition requirements from the Group's major customers and US/European retail stores who conducted regular audits throughout the year by third parties such as ITS (Intertek Testing Service) and SGS (Societe Generale De Surveillance).

(ii) Health and Safety: The Group was in full compliance with the labour laws of the PRC and Hong Kong applicable to the staff in the corresponding locations. Occupational health and safety KPIs were illustrated in the chart below:

| | **FY 2018** | **FY 2017** | **FY 2018 vs FY 2017 (%)** |
|---|---|---|---|
| Number of work injuries | **47** | 22 | **113.64%** |
| Medical Expenses due to work injuries (HKD) | **87,111.35** | 15,516.74 | **461.40%** |

The management of the Group is proud that they could provide staff with a safe work place although work injuries increased in FY2018. The medical expenses incurred in FY2018 was higher than that in FY2017 due to more injuries at the factory when we recruited additional new workers to meet the production demand. The Group will try to instill better safety awareness for new workers, and replace hazardous processes with more automation in FY2019 to lower the number of work injuries.

(iii)Development and Training: The Group provides directors and senior executives with latest Listing Rules training and also provides middle management, regular employees and production line workers with various relevant training. The KPIs in the development and training of the Group are illustrated in the chart below:

| | No. of Employees | Average Training Hours per Employee (hrs) |
|---|---|---|
| Middle management | 466 | 45 |
| Regular employees | 353 | 58 |
| Production line workers | 2,238 | 103 |

(iv) Labour Standard: The Group adopts recruitment policies that prevent child labour and forced labour in compliance with the applicable laws and regulations. The Group also encourages workers to form labour unions. A labour union was formed at the Group's Nansha, Panyu factory and union representatives would hold regular meetings throughout the year to communicate issues that could improve workers' morale, upgrade the living quarters and working environment, and report workers/management disputes to the management of the Group.

## ENVIRONMENTAL PERFORMANCE

The Group focused on aspects that would enhance environmental protection and adopted policies that would lower $CO_2$ emissions during the manufacturing processes, minimize excessive use of resources such as electricity, diesel, water and paper.

### (i) Carbon dioxide ($CO_2$), Nitrogen Oxides ($NO_x$) and Sulphur Oxides ($SO_x$) emissions

The two charts below illustrate the types of emissions and their respective emission data. The Group will continue to strive for measures to lower $CO_2$, $NO_x$ and $SO_x$ emissions and other air pollutants. Because of higher sales turnover (28.89% higher than FY2017), consumption of electricity and gas inevitably increased. The Group took measures in FY2018 to replace two private cars with 2 electric cars. Thus, oil consumption decreased and $CO_2$ emission only increased slightly.

| | FY 2018 | FY 2017 | FY 2018 vs FY 2017 (%) |
|---|---|---|---|
| **Electricity** (kilotonnes $CO_2$) | **20.91** | 18.58 | **12.50%** |
| **Oil** (kilotonnes $CO_2$) | **0.11** | 0.08 | **31.08%** |
| **Gas** (kilotonnes $CO_2$) | **0.02** | 0.02 | **6.90%** |
| **Total $CO_2$ emission (kilotonnes)** | **21.04** | 18.68 | **12.63%** |

Emission data from the vehicle owned by the group are set out as follows:

| Vehicle Type | Nitrogen Oxides ($NO_x$) (g) | Sulphur Oxides ($SO_x$) (g) | Particulate Matter (PM) (g) |
|---|---|---|---|
| **Private Car** | 8,463.66 | 189.42 | 623.16 |
| **Goods Vehicles** | 664,406.35 | 808.88 | 49,827.66 |
| **Total emission** | **672,870.01** | **998.30** | **50,450.82** |

Additional explanation: Regarding other Greenhouse gases emissions, such as methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride, since the Group did not adopt manufacturing processes that would generate other Greenhouse gases, the management of the Group believes our manufacturing processes fully comply with PRC environmental laws, and we received certification from PRC EPA department and maintained our ISO14001 status.

Furthermore, the management of the Group, working with customers and suppliers, has successfully built up a supply chain that fully complied with Restriction of Hazardous Substances ("**RoHS**") and Registration, Evaluation, Authorisation and Restriction of Chemicals ("**REACH**") standards. Any non-compliant supplier and their materials would be rejected immediately, and not to be used in the manufacturing of finished goods to mitigate any potential non-compliance risk. Our RoHS and REACH test lab has also been ISO 17025 certified. All the sourced materials and finished goods have been sampling checked for RoHS and REACH compliance to ensure no hazardous waste nor non-hazardous waste were produced during any manufacturing processes at our factory. In FY2018, there are 16.11 tonnes hazardous waste (An increase of 19.69% compared to FY2017) and 565.08 tonnes non-hazardous waste (A decrease of 19.41% compared to FY2017). Hazardous waste increased in FY2018 because more new products required painting process, therefore paint and thinner wastage increased proportionally. Non-hazardous waste decreased in FY 2018 because there was better awareness of separating recycling rubbish from non-recycling rubbish, and during by optimizing design and metal/packaging processes, the Group can reduce the amount of non-hazardous wastage.

**(ii) Use of Resources**

The chart below illustrates the consumption of resources by type throughout FY2018 and show comparative data with that of FY2017:

| | FY 2018 | FY 2017 | FY 2018 vs FY 2017 (%) |
|---|---|---|---|
| **Electricity** (GWh) | **27.26** | 24.05 | **13.35%** |
| **Oil** (tonnes) | **34.80** | 26.56 | **31.02%** |
| **Gas** (kgs) | **10,067.65** | 9,417.25 | **6.91%** |
| **Water** (000m3) | **304.55** | 257.35 | **18.34%** |
| **Packaging Materials Used for Finished Goods** (tonnes) | **2,655.63** | 2,322.55 | **14.34%** |

Despite moderate increase in $CO_2$ emissions and increase consumption of non-renewable resources in FY2018, the Group was particularly satisfied with the environmental performance as our operating team achieved environmental targets that were in line with our sales turnover growth of 28.89% in FY2018.

**(iii) The environment and natural resources**

Apart from the effort shown above to minimize emissions and use of resources, the Group also initiated energy savings projects since FY2012 and FY2013. During these two years, the Group invested in solar energy panel to heat up water for our workers and installed LED lightings in our offices (both in Hong Kong and in the PRC) and in our manufacturing facilities in the PRC. Both energy savings initiatives not only generated savings for the Group, but also fostered a strong corporate culture to promote sustainability from workers to top management. Such culture enabled the Group to meet the ESG reporting requirements early since FY2012, and invested early to build up supply chain loyalty, customer loyalty and enhanced our Group reputation and image in Guangzhou, the PRC.

## OPERATING PRACTICES

The Group focused on key areas to enhance management and formulate some operating best practice procedures by tightening corporate governance policies and setting guidelines for preventing staff and workers from committing frauds and engaging in illegal activities.

(i) Anti-corruption policy was straightly enforced among all management personnel and all suppliers in the Group's supply chain. The Group was not aware of any legal cases regarding corruption of the Group's management and employees. The Group also has an independent internal audit department reporting directly to the chairman of the Group's audit committee (the "**Audit Committee**") and has a whistleblowing system to notify the audit committee of any potential fraud and malpractices.

(ii) Product Safety: The Group has a policy to work closely with customers to cooperate on any recalls and safety/health related issue; and the Group has a quality system that handled customers (and related products) complaints. Root cause analysis would be conducted on each major customer complaint to avoid re-occurrence of product defects.

(iii) Risk Management: The Group has updated the policy on risk management, and the Board, the Audit Committee and the management team will work with outside consultants and auditors to identify potential risks not previously identified.

## COMMUNITY INVOLVEMENT

The Group focused on key areas to enhance management in order to create a better community by implementing programs that built a better society through a wide range of activities and initiatives:

(i) Encourage the use of recycled paper: The Group has begun a program to use more recycled paper in operations including printing interim & annual report booklets; and working with customers to print product instruction books by using recycled paper materials.

(ii) Investment in new talents: The Group continued to sponsor programs at Hong Kong Polytechnic University and members of the Group's management gave guest lectures at Hong Kong Polytechnic University during FY2018; and acted as independent manager at the TWGHs Wong Fut Nam College.

(iii) Education involvement: Members of the Group's management participated in fundraising charity concert organized by the Hong Kong Philharmonic Society to support community programmes for young musicians from less privileged families; and participated in Intimacy of Creativity, an international music composer symposium organized by Hong Kong University of Science and Technology.

(iv) Corporate Governance: Members of the Group's management founded the HKiNED Association (Hong Kong Independent Non-Executive Directors Association) in October 2015 in Hong Kong, and the Association held the third INED Conference on 22 November 2018 at Langham hotel to promote better corporate governance practices.

(v) Create a better Society: Members of the Group's management actively participated in fundraising event for the Hong Kong Correctional Services to support education programmes for prison inmates on 8 November 2018. Members of the Group's management also participated in fundraising event for TWGH (Tung Wah Group of Hospitals) at TVB on 8 December 2018.

## STAFF

The Group currently employs approximately 36 Hong Kong staff members and provides them with the Mandatory Provident Fund Scheme. Our factory in the PRC employs approximately ranged from 440 to 480 staff members, and workers employed directly or indirectly ranged from 2,500 to 3,000 persons during the year ended 31 December 2018. Remuneration is determined by reference to their qualifications, experiences and performances.

On behalf of the Board, I would like to extend the Board's appreciation to all our staff for their hard work and dedication throughout the year ended 31 December 2018.

## PURCHASE, SALE OR REDEMPTION OF OUR SHARES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## CORPORATE GOVERNANCE

Throughout the year ended 31 December 2018, the Company was in compliance with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), with an exception of a deviation from code provision A.4.1 and A.4.3 of the CG Code in respect of the service term of independent non-executive directors.

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to rotation and re-election.

None of the existing non-executive directors (including independent non-executive directors) of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the CG Code. However, all of them are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association. In addition, the Company has received the annual confirmation of independence from each independent non-executive director and the Board believes that the independent non-executive directors continue to be independent.

Under code provision A.4.3 of the CG Code, independent non-executive directors who serve more than 9 years could be relevant to the determination of a nonexecutive director's independence. If an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the board believes he is still independent and should be re-elected.

Save for Mr. Lo Kwong Shun Wilson, all independent non-executive directors have served in the Group for more than 9 years. This constitutes a deviation from code provision A.4.3 of the CG Code. However, all independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association and voting by members is by way of a separate resolution. The Company will state the reason why the relevant independent non-executive director who is subject to rotation and re-election is still independent and should be re-elected in the shareholders' circular.

In view of the above, the Company considers that sufficient measures have been taken to ensure that the standard of the Company's corporate governance practices is not lower than those required in the CG Code.

Detailed information of the Company's corporate governance practices will be disclosed in the Corporate

Governance Report as set out in the Company's 2018 annual report.

## MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by its directors. Having made specific enquiries to the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Model Code throughout the year ended 31 December 2018.

## REMUNERATION COMMITTEE

A Remuneration Committee has been established in accordance with the requirements of the Listing Rules. The Remuneration Committee comprises two executive directors, namely Mr. Wong, John Ying Man and Mr. Wong, Raymond Man Hin, and four independent non-executive directors, namely Mr. Leung, Michael Kai Hung (chairman), Mr. Fan, Anthony Ren Da, Mr. Ng, Yiu Ming and Mr. Lo, Wilson Kwong Shun.

## AUDIT COMMITTEE

The written terms of reference which describes the authority and duties of the Audit Committee was prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group's audit. It reviews the effectiveness of both external and internal audit, internal controls and risk evaluation. The Audit Committee comprises all independent non-executive directors, namely Mr. Leung, Michael Kai Hung (chairman), Mr. Fan, Anthony Ren Da, Mr. Ng, Yiu Ming and Mr. Lo, Wilson Kwong Shun. The Audit Committee held four meetings during the FY2018.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, financial report process and internal control matters. The annual results of the Group for the year ended 31 December 2018 have been reviewed by the Audit Committee.

## NOMINATION COMMITTEE

A Nomination Committee has been established in accordance with the requirements of the CG Code. The Nomination Committee comprises four independent non-executive directors, namely Mr. Ng, Yiu Ming (chairman), Mr. Leung, Michael Kai Hung, Mr. Fan, Anthony Ren Da and Mr. Lo, Wilson Kwong Shun.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and the Company (http://www.raymondfinance.com). The annual report of the Company for the year ended 31 December 2018 will be despatched to shareholders of the Company and available on the above websites in due course.

## ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Monet Room, B1 Level, Inter-Continental Grand Stanford Hong Kong, No. 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 24 May 2019 at 3:00 p.m.. The notice of the annual general meeting will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

As at the date of this announcement, the Board comprises the following directors:

Executive Directors:
Dr. Wong, Wilson Kin Lae
Mr. Wong, John Ying Man
Dr. Wong, Raymond Man Hin
Mr. Mok, Kin Hing

Non-Executive Directors:
Mr. Wong, David Ying Kit
Mr. Xiong, Zhengfeng

Independent Non-Executive Directors:
Mr. Leung, Michael Kai Hung
Mr. Fan, Anthony Ren Da
Mr. Ng, Yiu Ming
Mr. Lo, Wilson Kwong Shun

Alternate Director:
Mr. Zhang, Yuankun *(alternate to Dr. Wong, Wilson Kin Lae)*

By Order of the Board
**Wong, Wilson Kin Lae**
Chairman

Hong Kong, 28 March 2019