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ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019, together with comparative figures for last year as follows:

Consolidated statement of profit or loss

(Expressed in Hong Kong dollars)

	Note	2019 HK\$'000	2018 HK\$'000
Revenue	4	1,155,578	1,285,918
Cost of sales		<u>(1,007,721)</u>	<u>(1,092,494)</u>
Gross profit		147,857	193,424
Other revenue	5	4,208	3,211
Other net income	5	9,094	4,705
Selling expenses		(15,010)	(29,001)
General and administrative expenses		<u>(104,239)</u>	<u>(110,041)</u>
Profit before taxation	6	41,910	62,298
Income tax	7	<u>(2,937)</u>	<u>(9,724)</u>
Profit for the year attributable to equity shareholders of the Company		<u>38,973</u>	<u>52,574</u>
Earnings per share	9		
Basic, HK cents		<u>7.89</u>	<u>10.71</u>
Diluted, HK cents		<u>7.84</u>	<u>10.62</u>

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit for the year	<u>38,973</u>	<u>52,574</u>
Other comprehensive loss 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	<u>(6,107)</u>	<u>(13,363)</u>
Total comprehensive income for the year attributable to equity shareholders of the Company	<u><u>32,866</u></u>	<u><u>39,211</u></u>

Consolidated statement of financial position
(Expressed in Hong Kong dollars)

	<i>Note</i>	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Property, plant and equipment	<i>10</i>	169,692	184,011
Interests in leasehold land held for own use under operating leases	<i>10</i>	-	6,664
Right-of-use assets	<i>10</i>	8,973	-
Deferred tax assets		3,424	3,296
		182,089	193,971
Current assets			
Inventories		124,496	170,995
Trade and other receivables	<i>11</i>	278,452	289,831
Tax recoverable		-	2,140
Cash and cash equivalents	<i>12</i>	255,198	190,007
		658,146	652,973
Current liabilities			
Trade and other payables	<i>13</i>	229,428	229,599
Dividends payable		282	258
Tax payable		4,398	4,737
		234,108	234,594
Net current assets		424,038	418,379
Total assets less current liabilities		606,127	612,350
Non-current liabilities			
Deferred tax liabilities		173	181
NET ASSETS		605,954	612,169
CAPITAL AND RESERVES			
Share capital		462,333	461,807
Reserves		143,621	150,362
TOTAL EQUITY		605,954	612,169

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

1 BASIS OF PREPARATION

These consolidated financial statements have 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 consolidated 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 2019 included in this preliminary announcement of annual results 2019 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 2019 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 2019. 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 an new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Except for HKFRS 16, Leases, none of the developments have had a material effect on the Group's financial statements for the current or prior periods.

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 16 on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 January 2019, where they are different from those applied in prior periods.

HKFRS 16, Leases

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases – incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group reassessed all lease contracts at 1 January 2019 in which, except for contracts relating to leasehold land, the Group had no other lease contracts that were classified as leases under HKAS 17 but also satisfied the definition of a lease under HKFRS 16.

Upon the adoption of HKFRS 16, the Group reclassified the assets under finance leases (mainly leasehold land) from property, plant and equipment and interests in leasehold land under operating leases to right-of-use assets for presentation purposes in which the right-of-use assets are depreciated over their existing lease terms onwards.

The following table summarises the impacts of the adoption of HKFRS 16, on the Group's consolidated statement of financial position:

	At 31 December 2018 HK\$'000	HKFRS 16 Reclassification HK\$'000	At 1 January 2019 HK\$'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	184,011	(2,931)	181,080
Interests in leasehold land held for own use under operating leases	6,664	(6,664)	-
Right-of-use assets	-	9,595	9,595

After initial recognition of right-of-use assets at 1 January 2019, amortisation and depreciation charges in respect of leasehold land held for own use under operating leases and finance leases were now presented as depreciation of right-of-use assets for the year ended 31 December 2019. And there was no impact on the opening balance of equity at 1 January 2019.

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
	2019	2019	2019	2019	2019	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	267,130	303,140	245,525	242,612	58,614	38,557	1,155,578
Inter-segment revenue	-	437,273	-	-	896,533	-	1,333,806
Reportable segment revenue recognised at a point in time	267,130	740,413	245,525	242,612	955,147	38,557	2,489,384
Reportable segment profit (adjusted EBITDA)	14,577	16,541	13,397	13,238	80,889	2,103	140,745
Reportable segment assets as at 31 December 2019	-	392,700	-	-	525,873	-	918,573
Reportable segment liabilities as at 31 December 2019	-	(147,125)	-	-	(198,049)	-	(345,174)
Additions to non-current segment assets during the year 2019	-	27,780	-	-	-	-	27,780

3 SEGMENT REPORTING (CONTINUED)

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

	Electrical home appliances						
	The United States 2018 HK\$'000	The PRC 2018 HK\$'000	Japan 2018 HK\$'000	Europe 2018 HK\$'000	Asia (excluding Japan and The PRC) 2018 HK\$'000	Rest of the world 2018 HK\$'000	Total 2018 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 2018	-	56,833	-	-	2,256	-	59,089

3 SEGMENT REPORTING (CONTINUED)

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue		
Reportable segment revenue	2,489,384	2,816,771
Elimination of inter-segment revenue	<u>(1,333,806)</u>	<u>(1,530,853)</u>
Consolidated revenue	<u>1,155,578</u>	<u>1,285,918</u>
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit		
Reportable segment profit	140,745	198,946
Elimination of inter-segment profits	<u>(77,691)</u>	<u>(113,162)</u>
Reportable segment profit derived from Group's external customers	63,054	85,784
Other revenue and net income	13,302	7,916
Depreciation and amortisation	<u>(34,446)</u>	<u>(31,402)</u>
Consolidated profit before taxation	<u>41,910</u>	<u>62,298</u>
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Assets		
Reportable segment assets	918,573	962,735
Elimination of inter-segment receivables	<u>(81,762)</u>	<u>(121,227)</u>
	836,811	841,508
Tax recoverable	-	2,140
Deferred tax assets	<u>3,424</u>	<u>3,296</u>
Consolidated total assets	<u>840,235</u>	<u>846,944</u>
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Liabilities		
Reportable segment liabilities	(345,174)	(350,826)
Elimination of inter-segment payables	<u>115,746</u>	<u>121,227</u>
	(229,428)	(229,599)
Dividends payable	(282)	(258)
Tax payable	(4,398)	(4,737)
Deferred tax liabilities	<u>(173)</u>	<u>(181)</u>
Consolidated total liabilities	<u>(234,281)</u>	<u>(234,775)</u>

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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A	314,640	260,007
Customer B	238,664	253,359
Customer C	198,079	200,264
Customer D	<u>176,143</u>	<u>185,120</u>

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Other revenue		
Bank interest income	<u>4,208</u>	<u>3,211</u>
Other net income		
Net gain on disposal of scrap materials	819	1,239
Net exchange gain	5,087	1,442
Net loss on disposal of property, plant and equipment	(1,206)	(776)
Sample sales income	1,034	1,629
Subsidy income	1,520	356
Sundry income	<u>1,840</u>	<u>815</u>
	<u>9,094</u>	<u>4,705</u>

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

	2019 HK\$'000	2018 HK\$'000
(a) Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	206,333	230,997
Discretionary bonuses	2,312	4,714
Contributions to defined contribution retirement plans	17,598	17,869
	226,243	253,580
(b) Other items		
Cost of inventories sold [#]	1,007,721	1,092,494
Amortisation of interests in leasehold land held for own use under operating leases (Note)	-	398
Depreciation of right-of-use assets (Note)	487	-
Depreciation of other property, plant and equipment (Note)	33,959	31,004
Claims on sales [^]	-	11,076
Auditor's remuneration	692	692
Product development costs*	40,844	44,315

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leasehold land (see note 10). After initial recognition of right-of-use assets at 1 January 2019, amortisation and depreciation charges in respect of leasehold land held for own use under operating leases and finance leases were now presented as depreciation of right-of-use assets for the year ended 31 December 2019. Under this approach, the comparative information is not restated.

Cost of inventories includes approximately HK\$199,075,000 (2018: HK\$224,550,000) relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 6(a) for each of these types of expenses.

* Product development costs include approximately HK\$23,198,000 (2018: HK\$19,317,000) relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 6(a) 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" in prior year.

7 INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	2,343	963
Over-provision in respect of prior years	<u>(252)</u>	<u>-</u>
	<u>2,091</u>	<u>963</u>
Current tax – PRC Enterprise Income Tax		
Provision for the year	2,740	10,084
Over-provision in respect of prior years	<u>(1,703)</u>	<u>(2,634)</u>
	<u>1,037</u>	<u>7,450</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(191)</u>	<u>1,311</u>
Income tax expense	<u>2,937</u>	<u>9,724</u>

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 2019 is calculated in accordance with the two-tiered profits tax rate regime whereas the provision for other Hong Kong incorporated corporations are charged at 16.5% (2018: 16.5%).

(ii) PRC Enterprise Income Tax

A subsidiary in the PRC was qualified as a high and new technology enterprise and can enjoy a preferential tax rate of 15% (2018: 15%).

8 FINAL AND SPECIAL DIVIDENDS

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

	2019 HK\$'000	2018 HK\$'000
Interim dividend declared and paid of 2 HK cents per ordinary share (2018: 2 HK cents per ordinary share)	9,886	9,876
Final dividend proposed after the end of the reporting period of 4 HK cents per ordinary share (2018: 4 HK cents per ordinary share)	19,780	19,753
Special dividend proposed after the end of the reporting period of nil HK cents per ordinary share (2018: 2 HK cents per ordinary share)	<u>-</u>	<u>9,876</u>
	<u>29,666</u>	<u>39,505</u>

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

	2019 HK\$'000	2018 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 4 HK cents per ordinary share (2018: 4 HK cents per ordinary share)	19,768	19,553
Special dividend in respect of the previous financial year, approved and paid during the year, of 2 HK cents per ordinary share (2018: nil cents per ordinary share)	<u>9,884</u>	<u>-</u>
	<u>29,652</u>	<u>19,553</u>

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\$38,973,000 (2018: HK\$52,574,000) and the weighted average number of ordinary shares of 494,195,000 (2018: 490,856,000) shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2019 '000	2018 '000
Issued ordinary shares at 1 January	493,815	485,917
Effect of share options exercised	<u>380</u>	<u>4,939</u>
Weighted average number of ordinary shares at 31 December	<u>494,195</u>	<u>490,856</u>

(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\$38,973,000 (2018: HK\$52,574,000) and the weighted average number of ordinary shares of 497,067,000 (2018: 494,850,000) shares (diluted), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2019 '000	2018 '000
Weighted average number of ordinary shares at 31 December	494,195	490,856
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	<u>2,872</u>	<u>3,994</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u>497,067</u>	<u>494,850</u>

	Property, plant and equipment HK\$'000	Interests in leasehold land held for own use under operating leases HK\$'000	Right-of-use assets HK\$'000	Total fixed assets HK\$'000
Cost				
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
At 31 December 2018	620,726	15,391	-	636,117
Effects of the adoption of HKFRS 16 (see note 2)	(5,235)	(15,391)	20,626	-
At 1 January 2019	615,491	-	20,626	636,117
Exchange adjustments	(11,660)	-	(329)	(11,989)
Additions	27,780	-	-	27,780
Disposals	(15,622)	-	-	(15,622)
At 31 December 2019	615,989	-	20,297	636,286
Accumulated amortisation and depreciation				
At 1 January 2018	431,726	8,763	-	440,489
Exchange adjustments	(17,867)	(434)	-	(18,301)
Charges for the year	31,004	398	-	31,402
Disposals	(8,148)	-	-	(8,148)
At 31 December 2018	436,715	8,727	-	445,442
At 31 December 2018	436,715	8,727	-	445,442
Effects of the adoption of HKFRS 16 (see note 2)	(2,304)	(8,727)	11,031	-
At 1 January 2019	434,411	-	11,031	445,442
Exchange adjustments	(8,032)	-	(194)	(8,226)
Charges for the year	33,959	-	487	34,446
Disposals	(14,041)	-	-	(14,041)
At 31 December 2019	446,297	-	11,324	457,621
Net carrying value				
At 31 December 2019	169,692	-	8,973	178,665
At 1 January 2019	181,080	-	9,595	190,675
At 31 December 2018	184,011	6,664	-	190,675

11 TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade debtors	257,326	261,565
Other debtors	15,286	20,525
Deposits and prepayments	5,840	7,741
	<u>278,452</u>	<u>289,831</u>

All of the trade and other receivables, apart from certain deposits amounting to HK\$994,000 (2018: HK\$1,531,000), 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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 1 month	91,749	85,823
More than 1 month but less than 3 months	117,144	127,551
More than 3 months but less than 12 months	48,366	47,840
Over 12 months	67	351
	<u>257,326</u>	<u>261,565</u>

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Time deposits	196,870	117,816
Cash at bank and in hand	58,328	72,191
	<u>255,198</u>	<u>190,007</u>

13 TRADE AND OTHER PAYABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade creditors	180,084	170,420
Accrued charges and other payables	49,344	59,179
	<u>229,428</u>	<u>229,599</u>

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

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 1 month	174,823	63,803
More than 1 month but less than 3 months	2,686	100,470
More than 3 months but less than to 12 months	2,449	5,183
Over 12 months	126	964
	<u>180,084</u>	<u>170,420</u>

BUSINESS REVIEW

OPERATION RESULTS

During the financial year (“FY”) of 2019, the Group faced the challenges of increasing operating costs and slowdown in US sales growth impeded by the Sino-US trade dispute. During the 4th quarter, the Group also faced depreciation of US dollars against Renminbi. Despite all these uncertainties, the Group managed to launch more new and innovative products during the second half of 2019 to achieve acceptable performance for the full year. Consequently, for FY2019, the Group’s consolidated turnover decreased to HK\$1,155,578,000, representing a decrease of 10.14% as compared with the same period in the previous year. Net profit of the Group was HK\$38,973,000, representing a decrease of 25.87%, as compared with the net profit of HK\$52,574,000 for the same period in FY2018. Cash generated from operations was HK\$127,735,000 in FY2019. Cash and cash equivalents at the end of FY2019 was HK\$255,198,000 (HK\$39,538,000 of which were dividend paid out during FY2019) as compared with HK\$190,007,000 at the beginning of FY2019. 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 research and development (“R&D”), new technology and automation equipment. Consequently, the Group continues to qualify as a High and New Technology Enterprise (“HNTE”) in The People’s Republic of China (the “PRC”).

In FY2019, the Group had started several R&D research projects in Hong Kong that also qualified for the enhanced R&D tax deduction. To achieve AIoT (Artificial Intelligence and Internet of Things) compatibility, the Group has invested in the information systems and automated production processes to convert the operations to be 5G ready and can utilize big data and mobile surveillance systems to improve quality systems. As a result, the Group’s management can update strategies and react to changes quickly in highly competitive global markets. In FY2019, the Group invested HK\$27,780,000 (compared with HK\$59,089,000 in 2018) to set up new semi-automated new painting lines for new products, purchased injection moulding machines and laboratory testing equipment to strengthen our R&D and operational capabilities, and upgraded our information systems to enhance faster data processing and analysis. Decreased capital expenditures related to new R&D projects still fulfill the High Technology Venture minimum annual investment requirement; and we expect the investment in these R&D projects will generate more sales revenue in 2020 from new products launch. Qualifying for the High Technology venture status would enable the Group to enjoy lower profit tax rate and receive tax incentives from the PRC Government; and increase our competitiveness among our peers.

The Group’s net profit in FY2019 was HK\$38,973,000, representing basic earnings per share of 7.89 Hong Kong cents (net profit in FY2018 was HK\$52,574,000, with basic earnings per share of 10.71 Hong Kong cents).

FINAL DIVIDEND

The board of directors (the “Board”) of the Company has proposed a final dividend of 4 Hong Kong cents per ordinary share for the year ended 31 December 2019. The proposed final dividend, if approved by the shareholders at the forthcoming annual general meeting, will be paid on Tuesday, 9 June 2020 to the shareholders whose names appear on the register of members of the Company on Monday, 1 June 2020.

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, 22 May 2020 (the “2020 AGM”), the register of members of the Company will be closed from Monday, 18 May 2020 to Friday, 22 May 2020, both days inclusive. In order to be qualified for attending and voting at the 2020 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, 15 May 2020.

- (2) For the purpose of determining shareholders who are qualified for the final dividend, the register of members of the Company will be closed from Thursday, 28 May 2020 to Monday, 1 June 2020, both days inclusive. In order to be qualified for the final 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 Wednesday, 27 May 2020.

FINANCIAL POSITION

The liquidity position of the Group was satisfactory. Its current ratio was 2.81 as of 31 December 2019, compared with 2.78 as of 31 December 2018. The gearing ratio and debt to equity was 0.38 as of 31 December 2019 (31 December 2018: 0.38) and they were computed by the trade and other payables over total equity.

During FY2019, the Group's trade receivables turnover stood at 81 days, compared with 74 days in FY2018. The inventory turnover in FY2019 was 45 days, compared with 57 days in FY2018.

Bank balances and cash were HK\$255,198,000 as of 31 December 2019 (2018: HK\$190,007,000), representing an increase of HK\$65,191,000 as compared to the figures in the same period in FY2018, which was mainly due to lower level of inventory, capital expenditure and R&D expenditure.

There were no bank borrowings as of 31 December 2019 (2018: Nil).

The Group had no contingent liabilities as of 31 December 2019 (2018: Nil).

CHARGES ON ASSETS

The Group had no charges on assets as of 31 December 2019 (2018: Nil).

FOREIGN EXCHANGE EXPOSURE

Most of the Group's transactions were conducted in the United States dollars, British pounds, 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

After China and United States has reached a tentative agreement for the "first phase" of the trade deal, the Group's management has been more eager to launch more new innovative products in PRC and overseas in 2020. Despite there being a cloud of uncertainties surrounding global trade, the Group's management believes new revenue stream from higher valued-added new product categories can be realized in 2020. The Group's management has identified several new areas that we can apply our new technologies to develop more innovative products not only in grooming and air purification categories, but also in beverage related new product category. The Group's investment in R&D enables us to maintain the HNTE status and allows the Group to apply new knowledge, patents and innovations developed in the new products and explore new product categories. The Group will look for the first sign of recovery to plan more aggressive new products launch in the near future. The Group's management will remain resilient to tackle any immediate market downturns and form stronger partnership with our strategic customers and suppliers to weather the storm.

Infectious disease such as coronavirus outbreak has created a challenging situation facing all the industries of the society since the beginning of 2020. The Group anticipates that the infectious disease might affect our

employees' health and bring disruption to our operations and supply chain. Against this backdrop, the Group had a three-pronged disaster recovery strategy to immediate revamp our operations: Business Continuity (contingency plan – how to remotely keep the critical processes going), Costs Control (contingency plan – how to optimise fixed costs and adopt fast cost cutting measures), and Cash Management (Review and reset safety stock level for finished goods and critical raw materials, maintain healthy cash level to weather the storm, and prioritize capital expenditures and cut unnecessary expenses). Coronavirus outbreak would inevitably have an adverse impact on the Group's FY2020 first quarter results. Fortunately, the Group has already resumed normal production, and the supply chain has gradually restored back to normal, and the Group will make the best effort to make timely response and adjustments in the future with all possible effective aforementioned measures. Since the coronavirus outbreak, the Company has no experience in withdrawal of customers' orders nor major disruption in the supply chain. However, the Company will continuously monitor the situation.

In the year 2019, the Group invested and promoted computerization of manufacturing. We integrated our bar code system with our ERP system. In the year 2020, the Group will continue to integrate our ERP system with new financial analytic software to enable cross functional transformation that can unlock the Group's full operational potential. By scrutinizing the entire end-to-end process, from understanding customer needs to the delivery of finished products, the Group's management can address the entire value chain to open up new business opportunities, make more efficient use of working capital and better manage discretionary spending. In addition, the Group's management is looking at the feasibility of formulating a Big Data Strategy in manufacturing so that the management team can have access to real time data from various process activities to execute routine decisions in the following areas: (a) tracking of product quality and defects, (b) supply chain real time management, (c) optimizing machines and related predictive maintenance, and (d) engineering, process and quality analytics.

In light of the difficulty experienced by other OEM manufacturers who relocated their factories to South East Asia, the Group has no immediate plan to set up new factories in South East Asian countries. The Group's management will instead find a strategic partner who has existing production facilities in South East Asian countries to form a strategic alliance, or invest in companies that have existing production facilities in South East Asian countries.

STAFF

The Group currently employs approximately 32 Hong Kong staff members and provides them with the Mandatory Provident Fund Scheme. Our factory in the PRC employs approximately ranged from 480 to 510 staff members, and workers employed directly or indirectly ranged from 2,200 to 2,600 persons during the year ended 31 December 2019. 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 2019.

PURCHASE, SALE OR REDEMPTION OF OUR SHARES

During the year ended 31 December 2019, 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 2019, 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 2019 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 2019.

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 Dr. 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 FY2019.

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 2019 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 2019 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, 22 May 2020 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. Xiong, Zhengfeng
Mr. Wong, David Ying Kit

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, 26 March 2020