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RAYMOND Industrial Ltd

利 民 實 業 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0229)

**ANNOUNCEMENT OF UNAUDITED 2020 FIRST QUARTERLY RESULTS
FOR THREE MONTHS ENDED 31 MARCH 2020**

The Board (the “Board”) of Directors (the “Directors”) of Raymond Industrial Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (together the “Group”) for three months ended 31 March 2020, together with comparative figures for last period as follows:

Consolidated statement of profit or loss

(Expressed in Hong Kong dollars)

	<i>Note</i>	Three months ended 31 March	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue		222,273	256,263
Cost of sales		<u>(194,893)</u>	<u>(222,755)</u>
Gross profit		27,380	33,508
Other (loss)/ revenue		(2,416)	890
Other net income		1,173	3,656
Selling expenses		(3,115)	(4,383)
General and administrative expenses		<u>(20,214)</u>	<u>(25,355)</u>
Profit before taxation		2,808	8,316
Income tax		<u>(687)</u>	<u>(659)</u>
Profit for the period attributable to equity shareholders of the Company		<u>2,121</u>	<u>7,657</u>
Earnings per share	1		
Basic, HK cents		<u>0.43</u>	<u>1.55</u>
Diluted, HK cents		<u>0.43</u>	<u>1.54</u>

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

	Three months ended 31 March	
	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Profit for the period	2,121	7,657
Other comprehensive (loss)/ income for the period:		
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>(5,164)</u>	<u>5,782</u>
Total comprehensive (loss)/ income for the period attributable to equity shareholders of the Company	<u>(3,043)</u>	<u>13,439</u>

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

	31 March 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Non-current assets		
Property, plant and equipment	158,424	169,692
Right-of use assets	8,724	8,973
Deferred tax assets	3,370	3,424
	<u>170,518</u>	<u>182,089</u>
Current assets		
Inventories	142,670	124,496
Trade and other receivables	201,367	278,452
Cash and cash equivalents	270,816	255,198
	<u>614,853</u>	<u>658,146</u>
Current liabilities		
Trade and other payables	179,943	229,428
Dividends payable	282	282
Tax payable	2,062	4,398
	<u>182,287</u>	<u>234,108</u>
Net current assets	<u>432,566</u>	<u>424,038</u>
Total assets less current liabilities	<u>603,084</u>	<u>606,127</u>
Non-current liabilities		
Deferred tax liabilities	173	173
NET ASSETS	<u>602,911</u>	<u>605,954</u>
CAPITAL AND RESERVES		
Share capital	462,333	462,333
Reserves	140,578	143,621
TOTAL EQUITY	<u>602,911</u>	<u>605,954</u>

NOTE:**1 EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of approximately HK\$2,121,000 (three months ended 31 March 2019: HK\$7,657,000) and the weighted average number of ordinary shares of 494,500,000 (three months ended 31 March 2019: 493,815,000) shares in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of approximately HK\$2,121,000 (three months ended 31 March 2019: HK\$7,657,000) and the weighted average number of ordinary shares of 496,152,000 (three months ended 31 March 2019: 497,276,000) shares (diluted) after taking into account the effect of deemed issue of ordinary shares under the Company's share option scheme.

BUSINESS HIGHLIGHTS

In the first three months of 2020, we have seen lower sales compared with the corresponding period in 2019 because of lower market demand due to the coronavirus outbreak; and the difficulty to resume production after the Chinese New Year to deliver finished goods to our customers. The turnover of the Group was HK\$222,273,000 in the first three months of 2020, representing a decrease of 13.26 % compared with turnover for the corresponding period in 2019 (HK\$256,263,000). The Group's net profit was HK\$2,121,000, representing a decrease of 72.30% when compared with net profit of HK\$7,657,000 for the corresponding period in 2019. The significant decrease in the Group's net profit was due to the fact that production could not be resumed to full capacity for weeks after the Chinese New Year due to travel restriction for employees in China and workers outside Guangdong province; and the unforeseen disruption in our supply chain and logistics resulting in delayed delivery of components to our factory, and delayed shipment of finished goods to our customers. Luckily, the Group had not experienced significant reduction in customers' orders.

During the first three months of 2020, the Group's management faced uncertainties arising from the coronavirus outbreak that posed health threat to our employees. The coronavirus pandemic also caused disruption in the supply chain when the Group resumed production after the Chinese New Year, most notably from suppliers located in Malaysia and Thailand when these countries extended their restriction on movement and travel. The Group faced temporary transportation network shut down in China immediately after the Chinese New Year. Consequently, many of our employees and workers found it difficult to travel to our factory to report duty, and it took six weeks for our management to resume production capacity to an acceptable level. Fortunately, the Group has adopted a three-pronged strategy to get our operations back to normal: (1) business continuity (contingency planning on how to remotely keep the critical processes going); (2) costs control (contingency planning to optimize fixed costs and adopt fast cost cutting measures); and (3) cash management (revising safety stock level for finished goods and critical raw materials, maintaining

healthy cash level to weather the storm, and prioritizing capital expenditures and cutting down unnecessary expenses).

To avoid concentration of profit in the same product categories and markets, the Group's management tried to expand sales in product categories and markets that were less likely to be affected by the coronavirus pandemic. The Group's management has identified several new areas that we can apply on our new technologies to develop more innovative products in grooming and air purification categories, and also in beverage and baby care new product categories.

BUSINESS PROSPECTS

The Group's management remains cautiously optimistic as we continue to launch new products in the PRC and overseas in 2020. Despite the coronavirus pandemic, the Group's management continues to cultivate new customers to diversify our new customers portfolio. With these new customers, we hope that we can bring in new revenue stream and diversify the risk of having too much revenue concentrated in a few major customers and product categories. The Group's investment in research and development enables us to maintain the High and New Technology Enterprise status for the fourth consecutive year, and allow the Group to use new knowledge, patents and innovations to grow our business. The Group will look for the first sign of recovery, after the coronavirus pandemic is under control, to plan more aggressive new products launch in the near future. The Group's management will remain resilient to tackle any immediate market downturn and foster a stronger strategic alliance with our customers and our suppliers.

Technology, such as data analytics and the internet of things, can increase our Group's competitiveness when we can have faster information flow and processing. Technology can also improve cybersecurity. In 2019, the Group has started our ERP system upgrade and will complete our digital transformation project in 2020. Upon completion of this project, the Group's management expects that we can have faster data processing capabilities to handle automatic query and reporting, data mining, optimization and predictive analysis. We will also transform our workplace from a static information processing center to a dynamic information network which allows mobile remote access (such as using DocuSign to sign contracts online, to equip ERP Finance module with e-banking capability, and to use ZOOM to host online meetings and annual general meeting). If ERP upgrade is successful, we hope that we can implement cross-functional operations transformation to unlock the Company's full operational potential. In additional, we can scrutinize the entire end-to-end process, from understanding customer needs to the delivery of finished products. Addressing the entire value chain, we can open up larger opportunities to grow our business. Finally, faster information processing can lead to more efficient use of working capital, and better management decisions for discretionary spending.

FINANCIAL POSITION

The liquidity position of the Group was satisfactory. The current ratio of the Group was 3.37 as of 31 March 2020 (31 December 2019: 2.81). The quick ratio of the Group was 2.59 as of 31 March 2020 (31 December 2019: 2.28). The gearing ratio of the Group was

0.30 as of 31 March 2020 (31 December 2019: 0.38), which was computed by the trade and other payable over total equity.

Bank balances and cash were HK\$270,816,000 as of 31 March 2020 (31 December 2019: HK\$255,198,000), representing an increase of HK\$15,618,000 compared to the figures as of 31 December 2019. The increase was mainly due to better cash flow management by the Group's management.

There was no bank borrowing as of 31 March 2020 (31 December 2019: Nil), and the Group had no contingent liabilities as of 31 March 2020 (31 December 2019: Nil).

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the Group's unaudited condensed consolidated financial information for the three months ended 31 March 2020.

By Order of the Board
Raymond Industrial Limited
Wong, Wilson Kin Lae
Chairman

Hong Kong, 15 May 2020

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 and Mr. Mok Kin Hing

Non-Executive Directors:

Mr. Xiong Zhengfeng and Mr. Wong, David Ying Kit

Independent Non-Executive Directors:

Mr. Leung, Michael Kai Hung; Mr. Fan, Anthony Ren Da, Mr. Ng Yiu Ming and Mr. Lo, Wilson Kwong Shun

Alternate Director:

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