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RAYMOND Industrial Ltd

利 民 實 業 有 限 公 司

(Incorporated in Hong Kong with limited liability)

DISCLOSURE UNDER PRACTICE NOTE 19

This announcement is made pursuant to the requirements of Practice Note 19 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“the Listing Rules”).

Pursuant to the Listing Rules, the Company should have released an announcement when the aggregate of amounts due from and all guarantees given on behalf of an entity exceeds 25 per cent of the Company’s net assets.

The failure to release such an announcement at that time constitutes a breach of Practice Note 19 Paragraph 3.2.1 of the Listing Rules and the Stock Exchange has indicated that it reserves the rights to take appropriate actions against the Company and/or its directors in relation to the breach.

The Company disclosed in its 2002 Annual Accounts that the Group has provided guarantees for bank loans of third party companies amounting to HK\$184,575,000 during the financial year of 2002.

Among such guarantees, two amounts in the total sum of HK\$175,149,000 (the “Guarantees”), were granted by two equity joint venture enterprises of the Group in the People’s Republic of China (the “PRC”), Sichuan Jinfeng Spike Paper Company Limited (四川錦豐斯貝克紙品有限公司) (“Spike”) (in which a subsidiary of the Company, Cheung Fung Technology (Holdings) Limited (the “Subsidiary”), whose 50.746% share interests are held by the Company, holds 51.56% equity interests) and Sichuan Jinfeng Innovation Industry Company Limited (四川錦豐創新實業有限公司) (“Innovation”) (in which the Subsidiary holds 32.97% equity interests) in favour of the Bank of China (the “BOC”) to secure the repayment of two bank facilities granted to 四川劍南春融信投資有限公司 (Sichuan Jian Nan Chun Finance and Credit Investment Company Limited) (“Jian Nan Chun”) in the respective amounts of US\$14,600,000 (equivalent to HK\$113,880,000) and RMB65,000,000 (equivalent to HK\$61,269,000).

The remaining balance of the HK\$9,426,000 guarantee provided to another third party does not represent guarantee given on behalf of an entity exceeding the 25 per cent of the Company’s audited net assets threshold and details of which are not required to be separately disclosed save as have been disclosed in the Group Annual Accounts 2002.

Jian Nan Chun is a licensed financier in the PRC and is a provider of credit and finance as well as the leasor of production facilities required for the manufacturing business (the “Production Facilities”) of Spike and Innovation respectively. In order to finance the acquisition by Jian Nan Chun on behalf of

Spike and Innovation of the Production Facilities, at the request of the BOC, Spike and Innovation each entered into an arrangement with Jian Nan Chun to whom the BOC granted banking facilities that were to be guaranteed by Spike and Innovation respectively. The considerations for the acquisition of the Spike and Innovation Production Facilities were US\$14,600,000 (equivalent to HK\$113,880,000) and RMB65,000,000 (equivalent to HK\$61,269,000) respectively.

Jian Nan Chun is an independent third party not connected with the Company, directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or any or their respective associates within the definition of the Listing Rules.

Pursuant to two separate sets of agreements each comprising 融資租賃合同 (“Finance and Lease Agreement”), 資金封閉運行協議 (“Restriction on Application of Funds Agreement”), 委托購買合同 (“Entrust Purchase Agreement”) and 合作協議 (“Cooperation Agreement”), entered into among, inter alia, Jian Nan Chun and Spike on 11th July, 2002 and Jian Nan Chun and Innovation on 1st August, 2002 respectively, Jian Nan Chun as the lessor will lease the Production Facilities to Spike and Innovation respectively for a term of five years (the “Five Year Lease”) after which title to the respective Production Facilities will be assigned to the respective leasee, in consideration of, inter alia, the provision of two guarantees in the respective amounts of US\$14,600,000 and RMB65,000,000 by Spike and Innovation respectively on behalf of Jian Nan Chun to the BOC to secure the respective loan facilities granted to Jian Nan Chun over five years (the “Five Year Loan”). It is a term in the two Restriction on Application of Funds Agreements that Jian Nan Chun must apply the respective bank loans drawn from BOC for the acquisition of the Production Facilities for further leasing to Spike and Innovation respectively.

The rentals of the Five Year Lease for the respective Production Facilities acquired for Spike and Innovation from Jian Nan Chun mirror the respective loan repayment schedules of the Five Year Loan from BOC to Jian Nan Chun. The Five Year Loan in respect of the Spike Production Facilities provides for an annual interest rate of 4.1343% over the five year term whereas the Five Year Loan in respect of the Innovation Production Facilities provides for an annual interest rate of 6.696% over the five year term. The aggregates of all rental payments over the Five Year Lease for Spike and Innovation will be composed of i) the principal of the respective Five Year Loan which is US\$14,600,000 (equivalent to HK\$113,880,000) for Spike and RMB65,000,000 (equivalent to HK\$61,269,000) for Innovation; and ii) the respective interests payment calculated on the annual rate of 4.1343% for Spike and 6.696% for Innovation over the five year term. Both Production Facilities acquired for Spike and Innovation by Jian Nan Chun will be pledged to the BOC as a collateral. In return for its services as the financier, Jian Nan Chun will charge Spike and Innovation a handling fee calculated as 4% of the respective principal amounts of the Five Year Loan.

The board of directors of Spike and Innovation both consider the aforesaid arrangements would enable the acquisition of their respective Production Facilities to materialise at a low cost of fund achievable.

The Guarantees given on behalf of Jian Nan Chun in the amounts of US\$14,600,000 (equivalent to HK\$113,880,000) and RMB65,000,000 (equivalent to HK\$61,269,000) were executed on 11th July, 2002 and 30th October, 2002 respectively. The said aggregate amount of HK\$175,149,000 exceeded 25% to become 32.9% of the Company’s net assets of HK\$532,377,000 as at 31st December, 2002. When the Annual Accounts of 2002 were prepared in early 2003, the Company should have realised this fact and make a timely disclosure therefor. The Company regrets that it has overlooked this fact and had not made a timely announcement any earlier.

The failure to release such an announcement at that time constitutes a breach of Practice Note 19 Paragraph 3.2.1 of the Listing Rules and the Stock Exchange has indicated that it reserves the rights to take appropriate actions against the Company and/or its directors in relation to the breach.

(The conversion rate adopted: RMB1 to HK\$0.9426 and US\$1 to HK\$7.8)

By order of the Board
Michael S W Wong
Company Secretary

Hong Kong, 13th June, 2003

“Please also refer to the published version of this announcement in The Standard”.