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KA SHUI INTERNATIONAL HOLDINGS LIMITED

嘉瑞國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 822)

PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) of Part XIVA of the SFO.

The Board of the Company wishes to inform the shareholders of the Company and potential investors that, based on a preliminary review of the unaudited consolidated management accounts of the Group, it is expected that the Group will incur a loss of not more than HK\$12 million for the six months ended 30 June 2014 as compared with a profit recorded by the Group for the corresponding period in 2013.

The information contained in this announcement is only a preliminary assessment by the management of the Company based on the information currently available to the Group, which has not been reviewed by the Company's auditors or audit committee.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in shares of the Company.

This announcement is made by Ka Shui International Holdings Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) of Part XIVA of the Securities and Future Ordinance (Chapter 571, Laws of Hong Kong) (the “**SFO**”).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company and potential investors that, based on a preliminary review of the unaudited consolidated management accounts of the Company and its subsidiaries (collectively the “**Group**”), it is expected that the Group will incur a loss of not more than HK\$12 million for the six months ended 30 June 2014 as compared with a profit recorded by the Group for the corresponding period in 2013. Such decline was mainly due to the following reasons:

- (i) A decline in the Group’s overall turnover for the six months ended 30 June 2014;
- (ii) As a result of the decrease in the Group’s overall turnover and surge in subcontracting charges, gross profit margin of the Group for the six months ended 30 June 2014 also dropped. Since part of production facilities were damaged due to the occurrence of a fire accident in one of the Group’s production bases in Shenzhen, the PRC on 27 November 2013, the Group has subcontracted part of the affected production processes to our partners in the supply chain and hence the subcontracting charges for the six months ended 30 June 2014 had increased; and
- (iii) the Group is still in the process of pursuing the insurance compensation from the relevant insurance company and as such, no amount of the insurance compensation has yet been recognized in the Group’s interim results for the six months ended 30 June 2014.

As the Company is still in the process of finalizing its interim results for the six months ended 30 June 2014, the information contained in this announcement is only a preliminary assessment by the management of the Company based on the information currently available to the Group, which has not been reviewed by the Company’s auditors or audit committee. The interim results of the Group for the six months ended 30 June 2014 are expected to be announced in August 2014.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in shares of the Company.

By Order of the Board
Ka Shui International Holdings Limited
Lee Yuen Fat
Chairman

Hong Kong, 13 August 2014

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Lee Yuen Fat, Mr. Wong Wing Chuen and Mr. Chan Tat Cheong, Alan, and four independent non-executive directors, namely Mr. Sun Kai Lit Cliff BBS, JP, Ir Dr. Lo Wai Kwok BBS, MH, JP, Mr. Yeow Hoe Ann John and Mr. Andrew Look.