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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2013	2012	+/(-)
	HK$'000	*HK$'000*	
	(unaudited)	(unaudited)	
RESULTS			
Turnover	**891,376**	647,604	37.6%
Gross profit	**211,327**	140,050	50.9%
Profit attributable to owners of the Company	**70,503**	41,618	69.4%
PER SHARE DATA			
Earnings per share for profit attributable to owners of the Company			
– Basic (*HK cents*)	**7.9**	4.7	68.1%
– Diluted (*HK cents*)	**7.9**	4.7	68.1%

The Board of Directors (the "Board") of Ka Shui International Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013, together with the comparative figures for the corresponding period in 2012.

CONDENSED CONSOLIDATED PROFIT OR LOSS

		For the six months ended 30 June	
		2013	2012
	Note	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Turnover	*3*	**891,376**	647,604
Cost of sales		**(680,049)**	(507,554)
Gross profit		**211,327**	140,050
Other income	*4*	**10,050**	1,145
Selling and distribution expenses		**(12,414)**	(8,239)
General and administrative expenses		**(116,434)**	(76,552)
Profit from operations		**92,529**	56,404
Finance costs	*5*	**(4,786)**	(3,203)
Profit before tax		**87,743**	53,201
Income tax expense	*6*	**(17,304)**	(11,583)
Profit for the period	*7*	**70,439**	41,618
Attributable to			
Owners of the Company		**70,503**	41,618
Non-controlling interests		**(64)**	–
		70,439	41,618
Earnings per share	*9*		
– Basic (*HK cents*)		**7.9**	4.7
– Diluted (*HK cents*)		**7.9**	4.7

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period	**70,439**	41,618
Other comprehensive income for the period, net of tax:		
Item that will be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**12,957**	(1,624)
Total comprehensive income for the period	**83,396**	39,994
Attributable to		
Owners of the Company	**83,460**	39,994
Non-controlling interests	**(64)**	–
	83,396	39,994

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 30 June 2013**	As at 31 December 2012
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	*10*	**674,723**	655,383
Club membership		**718**	718
Deposits paid for acquisition of property, plant and equipment		**11,759**	6,493
		687,200	662,594
Current assets			
Inventories		**240,716**	253,675
Trade receivables	*11*	**437,495**	486,041
Prepayments, deposits and other receivables		**57,981**	58,532
Financial assets at fair value through profit or loss		**4,716**	592
Bank and cash balances		**286,497**	135,243
		1,027,405	934,083
Current liabilities			
Trade payables	*12*	**252,489**	320,043
Deposits received		**4,354**	4,584
Other payables and accruals		**72,622**	73,972
Due to a related company		**2,241**	3,428
Bank borrowings		**494,215**	325,575
Current portion of obligations under finance leases		**3,059**	3,978
Current tax liabilities		**28,270**	27,537
		857,250	759,117
Net current assets		**170,155**	174,966
Total assets less current liabilities		**857,355**	837,560
Non-current liabilities			
Obligation under finance lease		**189**	1,330
Deferred tax liabilities		**20,769**	20,456
		20,958	21,786
NET ASSETS		**836,397**	815,774
Capital and reserves			
Share capital		**89,342**	89,044
Reserves		**736,976**	726,730
Equity attributable to owners of the Company		**826,318**	815,774
Non-controlling interests		**10,079**	–
TOTAL EQUITY		**836,397**	815,774

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATION INFORMATION

The Group is principally engaged in the manufacture of zinc, magnesium and aluminium alloy die casting and plastic injection products and components which are mainly sold to customers engaging in the household products, 3C (communication, computer and consumer electronics) products and automotive parts industries.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 7 January 2005.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of the Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed financial statements should be read in conjunction with the 2012 annual financial statements. The accounting policies and methods of computation used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years except as stated below.

a. Amendments to HKAS 1 "Presentation of Financial Statements"

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

b. HKFRS 13 "Fair Value Measurement"

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold, net of returns and allowances to customers during the period.

For management purposes, the Group's operation is currently categorised into four operating divisions – zinc, magnesium and aluminium alloy die casting and plastic injection products and components. These divisions are the basis of the Group's four reportable segments. The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and different cost measurement.

Segment profits or losses do not include interest income, finance costs, gain or loss from derivative instruments, income tax expense, corporate income and corporate expenses.

An analysis of the Group's turnover and results for the period by business segments is as follows:

	Zinc alloy die casting *HK$'000* **(unaudited)**	**Magnesium alloy die casting** *HK$'000* **(unaudited)**	**Aluminium alloy die casting** *HK$'000* **(unaudited)**	**Plastic injection** *HK$'000* **(unaudited)**	**Total** *HK$'000* **(unaudited)**
For the six months ended 30 June 2013					
Revenue from external customers	**148,512**	**389,876**	**104,065**	**248,923**	**891,376**
Segment profit	**7,602**	**44,786**	**8,994**	**45,485**	**106,867**

	Zinc alloy die casting *HK$'000* (unaudited)	Magnesium alloy die casting *HK$'000* (unaudited)	Aluminium alloy die casting *HK$'000* (unaudited)	Plastic injection *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
For the six months ended 30 June 2012					
Revenue from external customers	154,989	183,138	110,703	198,774	647,604
Segment profit	10,216	19,867	10,086	30,992	71,161

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Reconciliation of reportable segment profit or loss		
Total profit or loss of reportable segments	**106,867**	71,161
Unallocated amounts:		
Interest income	**1,052**	461
Gain/(loss) on financial assets at fair value through profit or loss	**5,379**	(169)
Finance costs	**(4,786)**	(3,203)
Corporate income	**733**	67
Corporate expenses	**(21,502)**	(15,116)
Income tax expense	**(17,304)**	(11,583)
Consolidated profit for the period	**70,439**	41,618

4. OTHER INCOME

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income	**1,052**	461
Gain on financial assets at fair value through profit or loss	**5,379**	–
Gain on disposal of property, plant and equipment	**–**	30
Others	**3,619**	654
	10,050	1,145

5. FINANCE COSTS

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest expenses on bank borrowings	**4,733**	3,080
Finance lease charges	**53**	123
	4,786	3,203

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	**4,248**	4,685
Current tax – PRC enterprise income tax		
Provision for the period	**13,056**	6,898
	17,304	11,583

Hong Kong Profits Tax has been provided at a rate of 16.5% for the six months ended 30 June 2013 (for the six months ended 30 June 2012: 16.5%) on the estimated assessable profits for the relevant period. Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates based on existing legislation, interpretation and practices in respect thereof.

7. PROFIT FOR THE PERIOD

The Group's profit for the period is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**36,741**	30,138
Loss/(gain) on disposal of property, plant and equipment	**48**	(30)
Interest income	**(1,052)**	(461)
(Gain)/loss on financial assets at fair value through profit or loss	**(5,379)**	169

8. DIVIDENDS

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Proposed interim dividend – HK2.6 cents (2012: HK1.6 cents) per ordinary share	**23,230**	14,241
Dividends paid during the period –		
Final dividend for the year ended 31 December 2012 approved and paid – HK8.3 cents (2011: HK4.3 cents) per ordinary share	**73,922**	38,191
Additional final dividends paid for the previous year	**231**	29
	97,383	52,461

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following:

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**70,503**	41,618
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	**891,754,792**	888,406,290
Effect of dilutive potential ordinary shares arising from share options	**1,485,990**	1,546,969
Weighted average number of ordinary shares used in diluted earnings per share calculation	**893,240,782**	889,953,259

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group had disposed of certain property, plant and equipment with a carrying amount of approximately HK$52,000 (unaudited) (for the year ended 31 December 2012: HK$1,144,000 (audited)) for proceeds of approximately HK$4,000 (unaudited) (for the year ended 31 December 2012: HK$886,000 (audited)), resulting in a loss on disposal of approximately HK$48,000 (unaudited) (for the year ended 31 December 2012: HK$258,000 (audited)).

In addition, the Group had acquired property, plant and equipment of approximately HK45,054,000 (unaudited) (for the year ended 31 December 2012: HK$151,139,000 (audited)).

11. TRADE RECEIVABLES

The Group normally allows credit terms to customers ranging from 30 to 90 days (31 December 2012: 30 to 90 days) after end of the month in which the invoices have been issued. The ageing analysis of trade receivables as at 30 June 2013, based on the invoice date, and net of allowance, was as follows:

	As at 30 June 2013 *HK$'000* **(unaudited)**	As at 31 December 2012 *HK$'000* (audited)
0 to 30 days	**224,507**	171,809
31 to 60 days	**87,311**	175,295
61 to 90 days	**107,671**	85,620
91 to 180 days	**17,559**	52,473
Over 180 days	**447**	844
	437,495	486,041

12. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days (31 December 2012: 30 to 90 days) from its suppliers. The ageing analysis of trade payables as at 30 June 2013, based on the date of receipt of goods purchased, was as follows:

	As at 30 June 2013 *HK$'000* **(unaudited)**	As at 31 December 2012 *HK$'000* (audited)
0 to 30 days	**166,254**	104,811
31 to 60 days	**49,604**	112,475
61 to 90 days	**30,783**	68,365
91 to 180 days	**3,146**	32,535
Over 180 days	**2,702**	1,857
	252,489	320,043

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Overview

Following the strong growth momentum in 2012, the first half of 2013 continued to deliver an impressive growth in both turnover and profit attributable to owners of the Company. The former rose approximately 37.6% to HK$891,376,000 (2012 first half: HK$647,604,000) whilst the latter climbed approximately 69.4% to HK$70,503,000 (2012 first half: HK$41,618,000) as compared with the previous corresponding period. The growth was mainly attributable to the substantial increase in the sales of magnesium alloy cases for the notebook computer business as well as plastic protective cases for the smartphone market.

Due to gains on a larger operating scale coupled with a more favourable change in product mix and increase in production efficiency of products due to advance in production technology, gross profit margin rose from 21.6% recorded in the corresponding period last year to 23.7%.

The Group is committed to generating attractive returns for its shareholders and maintaining a stable dividend policy. Hence, the board of directors has resolved to pay an interim dividend of HK2.6 cent per share for the six months ended 30 June 2013 and the dividend payout ratio is approximately 33.0% (2012 first half: 35.0%).

The global economic outlook for the second half of 2013 is still uncertain. The Purchasing Managers Index ("PMI") for the PRC is discouraging whilst the United States economic recovery remains unpredictable. Notwithstanding that, the Group will continue to uphold its endeavors in the research and development of leading technologies and new applications to meet new market demands. Together, with our sound financial management, the Group is prepared to respond swiftly to external business changes and market volatility.

(B) Financial Review

For the six months ended 30 June 2013, the Group recorded a turnover of HK$891,376,000 (2012 first half: HK$647,604,000), an increase of 37.6% from the previous corresponding period. The increase is mainly driven by the remarkable growth in magnesium alloy die casting and plastic injection moulding businesses respectively.

Due to gains on a larger operating scale coupled with a more favourable change in product mix and increase in production efficiency of products due to advance in production technology, gross profit increased by 50.9% to HK$211,327,000 (2012 first half: HK$140,050,000) and gross profit margin also improved from 21.6% in 2012 first half to 23.7%. As a result, profit attributable to owners of the Company amounted to HK$70,503,000 (2012 first half: HK$41,618,000), representing a growth of 69.4% when compared with that of the same period last year.

(C) Business Review

Magnesium alloy die casting business

The magnesium alloy die casting business continued to be one of the major growth drivers for the Group. For the six months ended 30 June 2013, the turnover of this business segment had achieved a robust growth of 112.9% to HK$389,876,000 (2012 first half: HK$183,138,000), representing 43.7% (2012 first half: 28.3%) of the Group's turnover. As more notebook computer's casing is gradually shifting from plastic to metal, demand for the thinner and lighter magnesium alloy's casing is on the rise. Riding on this trend, the Group will capitalize on its core competence in magnesium alloy die casting by expanding its production capacity and enhancing technical know-how, including hybrid of magnesium alloy and plastic component manufacturing. Such endeavors will assist the Group in gaining a larger market share in the notebook computer's casing industry.

Plastic injection moulding business

Benefitting from the flourishing smartphone market, revenue from the plastic injection moulding business had recorded a remarkable increase of 25.2% to HK$248,923,000 (2012 first half: HK$198,774,000) for the period under review. Revenue contribution from this business segment to the total turnover has also increased to 27.9% (2012 first half: 30.7%). In view of the growing popularity of smartphone and tablet related products in recent years together with research and development of innovative plastic products, the future demand for these products is expected to lead the growth of the Group's plastic injection moulding business.

Zinc alloy die casting business

Due to unfavorable market sentiment for household products, turnover from the zinc alloy die casting business dropped slightly by 4.2% to HK$148,512,000 (2012 first half: HK$154,989,000) for the six months ended 30 June 2013. This business segment contributed 16.7% (2012 first half: 23.9%) to the Group's total turnover.

Aluminium alloy die casting business

During the first half of 2013, turnover from the aluminium alloy die casting business decreased slightly by 6.0% to HK$104,065,000 (2012 first half: HK$110,703,000) as compared with the same period of 2012, accounting for 11.7% (2012 first half: 17.1%) of the Group's turnover. The decrease is primarily attributable to the sluggish demand for household products as a result of uncertain economic condition.

(D) Prospects

The global economic environment has remained challenging, as the US economic growth is dampened by persistent fiscal tightening policies, the countries in European Union continue to be in recession and persistent debt problems and the Chinese economy has also slowed down in the first half of 2013. In light of this, the Group will adopt prudent and stable development measures to cope with any potential challenges that may arise.

Despite the notable slowdown in the shipment of notebook computers in the first half of 2013, the growth of Ultrabook has not been ceased. The new generation of Ultrabook in the market will focus on its combined features of the portability of tablet and the functionality of the notebook computer. As such, it requires the product to be light weight, superior heat conductivity and slimness. Magnesium alloy turns out to be a desirable material for the production of Ultrabook's casings and hence, the Group's magnesium alloy business segment has been benefitted and sustains its growing momentum on this upcoming new market trend. In view of this, the Group is striving to allocate more resources on the research and development of new magnesium alloys and surface finishing technologies so as to cater for the rising market trend of using magnesium alloy for the notebook computer casings. Leveraging on its core expertise in magnesium die casting industry, the Group is able to secure more orders from existing customers as well as to anticipate an expansion of its customer base to cover other renowned global notebook computer brands.

The plastic injection moulding business is another growth engine for the Group. Shipment of smartphones is expected to rise continuously due to technology migration to 4G platforms and the increasing penetration rate supported by the launch of lower priced handset models. In addition, the Group has conducted research and development on new plastic products' businesses upon customers' requests. As such, the market demand for the Group's plastic products is expected to increase and the Group will tailor its production capacity for plastic injection moulding in order to meet the new market needs.

Similar to the notebook computer casings which are undergoing a market trend in switching from plastic to metal, the Group also anticipates a growing popularity of using metal for the smartphone cases. As a result, the Group has already commenced research and development programmes on new die casting alloys and related production technologies with an aim to further expand its business in this immense smartphone market.

The second phase of construction at the Group's existing industrial complex in Daya Bay, Huizhou, the PRC, was completed in the second quarter of 2013 and is currently under renovation. This newly constructed production facility comprises a gross floor area of 46,000 square meters and is expected to commence operation by the end of 2013 for enhancing production capacities in die manufacturing as well as surface coating for die casting components.

In March 2013, the Group established a joint venture in Anhui Province, the PRC for the new product development, sale and production of computer and communication related products and components primarily using magnesium alloy as the core production material. Strategically based in Anhui, the joint venture aims to provide support to a number of renowned international and domestic players in the electronics and computer industry within the Huadong region. The site area of this new Anhui production base is approximately 34,000 square meters and the gross floor area of the factory premise will be approximately 6,800 square meters. The factory premise is currently under renovation and is expected to commence operation by the end of 2013.

After two years' of sampling and promotional activities at light fairs around the world, our plasma lightings are steadily gaining attentions amongst consumers. In the first half of 2013, the Group has appointed several distributors in several key markets such as the US and Canada to localize plasma lighting products. The Group has already received a decent order book for such related products in the second quarter of this year and is confident that there are ample potential opportunities for plasma lighting. Leveraging on its core competence in magnesium alloy die casting, the Group will continue to improve the design of these products in order to enhance the market competitiveness of plasma lightings. With continued sales and marketing effort, the Group expects that plasma lighting will become one of the key players in energy saving lighting segment and bring a new source of revenue for the Group.

Amidst the prevailing instability in the global economic environment, the Group will adopt a prudent approach to the execution of our long term strategy. With our sustainable competitive advantages in our core businesses especially the application of magnesium alloy and advanced surface finishing treatment on Original Design Manufacturing ("ODM") and Original Brand Manufacturing ("OBM") business, the Group, as before, can be well positioned for further business growth in such a challenging market in the long run.

(E) Liquidity and Financial Resources

As at 30 June 2013, the Group had bank and cash balances of approximately HK$286,497,000 (2012: HK$135,243,000), most of which were either denominated in US dollars, Renminbi or Hong Kong dollars.

Total interest-bearing borrowings of the Group as at 30 June 2013 were approximately HK$497,463,000 (2012: HK$330,883,000), comprising bank loans and overdrafts of approximately HK$494,215,000 (2012: HK$325,575,000) and obligations under finance leases of approximately HK$3,248,000 (2012: HK$5,308,000). All of these borrowings were denominated in Hong Kong dollars or US dollars to which the interest rates applied were primarily subject to floating interest rate.

As at 30 June 2013, the net gearing ratio (a ratio of the sum of total interest-bearing borrowings and obligations under finance leases less bank and cash balances then divided by total equity) of the Group was approximately 25.2% (2012: 24.0%).

As at 30 June 2013, the net current assets of the Group were approximately HK$170,155,000 (2012: HK$174,966,000), which consisted of current assets of approximately HK$1,027,405,000 (2012: HK$934,083,000) and current liabilities of HK$857,250,000 (2012: HK$759,117,000), representing a current ratio of approximately 1.2 (2012: 1.2).

(F) Exposure to Foreign Exchange Risk

Most of the Group's transactions were conducted in US dollars, Hong Kong dollars or Renminbi. As such, the Group is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between US dollars, Hong Kong dollars and Renminbi. In order to mitigate the risks due to fluctuation of foreign currency exchange rates, the Group had entered into foreign currency forward contracts to manage its foreign currency exposure during the period under review.

(G) Contingent Liabilities

As at 30 June 2013, the Group had no material contingent liabilities.

(H) Charge on Assets

As at 30 June 2013, the Group's banking facilities were secured by guarantees given by the following assets: (a) lessors' title to the leased assets under finance leases; and (b) a property situated in Hong Kong owned by the Group.

(I) Human Resources

As at 30 June 2013, the Group had approximately 5,400 full-time employees (31 December 2012: 5,400). The Group attributes its success to the hard work and dedication of its staff as a whole, therefore, they are deemed to be the most valuable assets of the Group. In order to attract and retain high caliber staff, the Group provides competitive salary package, including retirement scheme, medical benefit and bonus. The Group's remuneration policy and structure is determined based on market trends, the performance of individual staff as well as the financial performance of the Group. The Group has also adopted a share option scheme and a share award scheme as incentive and reward for those qualifying staff who have made contribution to the Group.

The Group provides regular training courses for different level of staff and holds various training programs together with PRC institutes and external training bodies. Apart from academic and technical training, the Group also organizes different kinds of recreational activities, including New Year gathering, various sport competitions and interest groups. The aim is to promote interaction among staff, establish harmonious team spirit and promote healthy lifestyle.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK2.6 cents per share for six months ended 30 June 2013 payable on or about Monday, 23 September 2013, to the shareholders whose names appear on the register of members of the Company on Thursday, 12 September 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 10 September 2013 to Thursday, 12 September 2013, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 9 September 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period under review.

AUDIT COMMITTEE

The Company established the Audit Committee in June 2007. The primary duties of the Audit Committee are to review and approve the financial reporting process and internal control system of the Group and provide advice and comments to the Board. The Audit Committee comprises four independent non-executive directors, namely Mr. Yeow Hoe Ann, John, Mr. Sun Kai Lit, Cliff *BBS, JP* and Ir Dr. Lo Wai Kwok *BBS, MH, JP* and Mr. Andrew Look and is chaired by Mr. Yeow Hoe Ann, John, a qualified accountant with extensive experience in financial reporting and controls.

NOMINATION COMMITTEE

The Nomination Committee was set up in June 2007 for the purpose of making recommendations to the Board on the appointment of directors and the management of the Board succession. The members of the Nomination Committee are Mr. Sun Kai Lit, Cliff *BBS, JP*, Ir Dr. Lo Wai Kwok *BBS, MH, JP*, Mr. Yeow Hoe Ann, John, Mr. Andrew Look and Dr. Keung Wing Ching. Mr. Sun Kai Lit, Cliff *BBS, JP* is the Chairman of the Nomination Committee.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in June 2007. The major duties of the Remuneration Committee include reviewing and determining the terms of remuneration packages, the award of bonuses and other compensation payable to directors and senior management. The Remuneration Committee consists of Mr. Sun Kai Lit, Cliff *BBS, JP*, Ir Dr. Lo Wai Kwok *BBS, MH, JP*, Mr. Yeow Hoe Ann, John, Mr. Andrew Look and Dr. Keung Wing Ching. The Chairman of Remuneration Committee is Mr. Sun Kai Lit, Cliff *BBS, JP*, an independent non-executive director.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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. Having made specific enquiry of all directors, all directors have confirmed that they have fully complied with the required standard set out in the Model Code during the period under review.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2013.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend our sincere appreciation to our customers, suppliers and shareholders for their continuing support, and our management and staff for their dedication and contribution to the Group throughout the period.

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

Hong Kong, 26 August 2013

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Lee Yuen Fat, Dr. Keung Wing Ching, 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.