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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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2013	2012	+/(-)
	HK$'000	*HK$'000*	
RESULTS			
Turnover	**1,806,585**	1,568,958	15.1%
Gross profit	**398,416**	353,705	12.6%
Profit attributable to owners of the Company	**60,542**	125,894	(51.9%)
PER SHARE DATA			
Earnings per share for profit attributable to owners of the Company *(HK cents)*			
– Basic	**6.78**	14.16	(52.1%)
– Diluted	**6.78**	14.12	(52.0%)
Dividends per share *(HK cents)*			
– Interim	**2.6**	1.6	62.5%
– Final	**7.3**	8.3	(12.0%)
– Full Year	**9.9**	9.9	–

The final dividend of 7.3 HK cents per share (2012: final dividend of 8.3 HK cents) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

FINANCIAL RESULTS

The Board of Directors (the "Board") of Ka Shui International Holdings Limited (the "Company") is pleased to announce the final results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013, together with the comparative figures for the year ended 31 December 2012.

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December	
		2013	2012
	Note	***HK$'000***	*HK$'000*
Turnover	*4*	**1,806,585**	1,568,958
Cost of sales		**(1,408,169)**	(1,215,253)
Gross profit		**398,416**	353,705
Other income	*5*	**26,750**	5,432
Selling and distribution expenses		**(26,606)**	(22,828)
General and administrative expenses		**(239,259)**	(172,291)
Other operating expenses		**(57,796)**	(19)
Profit from operations		**101,505**	163,999
Finance costs	*6*	**(10,854)**	(6,769)
Profit before tax		**90,651**	157,230
Income tax expense	*7*	**(34,539)**	(31,336)
Profit for the year		**56,112**	125,894
Attributable to			
Owners of the Company		**60,542**	125,894
Non-controlling interests		**(4,430)**	–
		56,112	125,894
Earnings per share	*9*		
– Basic *(HK cents)*		**6.78**	14.16
– Diluted *(HK cents)*		**6.78**	14.12

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December	
	2013	2012
	HK$'000	*HK$'000*
Profit for the year	**56,112**	125,894
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Surplus on revaluation of leasehold land	**8,900**	14,421
Income tax on items that will not be reclassified to profit or loss	**(1,417)**	(2,978)
	7,483	11,443
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	**17,109**	5,474
Other comprehensive income for the year, net of tax	**24,592**	16,917
Total comprehensive income for the year	**80,704**	142,811
Attributable to		
Owners of the Company	**84,606**	142,811
Non-controlling interest	**(3,902)**	–
	80,704	142,811

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**732,377**	655,383
Goodwill		**1,630**	–
Intangible assets		**16,728**	718
Available-for-sale financial assets		**–**	–
Deposits paid for acquisition of property, plant and equipment		**10,516**	6,493
		761,251	662,594
Current assets			
Inventories		**142,546**	253,675
Trade receivables	*10*	**397,703**	486,041
Prepayments, deposits and other receivables		**70,902**	58,532
Financial assets at fair value through profit and loss		**48,000**	592
Pledged bank deposits		**194**	–
Restricted bank balances		**4,779**	–
Bank and cash balances		**275,233**	135,243
		939,357	934,083
Current liabilities			
Trade payables	*11*	**219,140**	320,043
Deposits received		**2,243**	4,584
Other payables and accruals		**77,473**	73,972
Due to a related company		**1,776**	3,428
Bank borrowings and overdrafts		**496,176**	325,575
Current portion of obligations under finance leases		**1,330**	3,978
Current tax liabilities		**24,608**	27,537
		822,746	759,117
Net current assets		**116,611**	174,966
Total assets less current liabilities		**877,862**	837,560
Non-current liabilities			
Obligations under finance leases		**–**	1,330
Deferred tax liabilities		**24,299**	20,456
		24,299	21,786
NET ASSETS		**853,563**	815,774
Capital and reserves			
Share capital		**89,345**	89,044
Reserves		**714,903**	726,730
Equity attributable to owners of the Company		**804,248**	815,774
Non-controlling interests		**49,315**	–
TOTAL EQUITY		**853,563**	815,774

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is P.O. Box 1350 GT Clifton House, 75 Fort Street, George Town, Grand Cayman, Cayman Islands. The address of its principal place of business is Room 1210, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong.

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

In the opinion of the directors of the Company, as at 31 December 2013, Precisefull Limited, a company incorporated in the British Virgin Islands, is the ultimate parent and Mr. Lee Yuen Fat ("Mr. Lee") is the ultimate controlling party of the Company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (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 ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year 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 optional terminology for statement of comprehensive income and income statement that has been applied by the Group. 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 income 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 12 "Disclosure of Interests in Other Entities"**

HKFRS 12 "Disclosure of Interests in Other Entities" specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of HKFRS 12 only affects the disclosures relating to the Group's subsidiaries in the consolidated financial statements. HKFRS 12 has been applied retrospectively.

c. **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. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified for the revaluation of leasehold land, certain investments and derivatives which are carried at their fair values.

4. TURNOVER AND SEGMENT INFORMATION

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

For management purposes, the Group's operation is currently categorised into five (2012: five (restated)) operating divisions – zinc, magnesium, aluminium alloy die casting, plastic injection products and components and lighting products. These divisions are the basis of the Group's five 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, corporate income, gain or loss from derivative instruments, corporate expenses, finance costs and income tax expense.

Information about reportable segment profit or loss:

	Zinc alloy die casting *HK$'000*	**Magnesium alloy die casting** *HK$'000*	**Aluminium alloy die casting** *HK$'000*	**Plastic injection** *HK$'000*	**Lighting Products** *HK$'000*	**Total** *HK$'000*
Year ended 31 December 2013						
Revenue from external customers	**304,731**	**797,337**	**208,265**	**495,085**	**1,167**	**1,806,585**
Segment profit/(loss)	**6,697**	**94,119**	**16,335**	**68,740**	**(21,033)**	**164,858**
Depreciation and amortisation	**13,410**	**26,706**	**11,046**	**19,841**	**1,801**	**72,804**

	Zinc alloy die casting *HK$'000*	Magnesium alloy die casting (restated) *HK$'000*	Aluminium alloy die casting *HK$'000*	Plastic injection *HK$'000*	Lighting Products (restated) *HK$'000*	Total *HK$'000*
Year ended 31 December 2012						
Revenue from external customers	307,603	502,616	201,126	556,903	710	1,568,958
Segment profit/(loss)	7,344	71,477	15,834	98,327	(8,592)	184,390
Depreciation	13,813	18,426	10,357	13,933	–	56,529

Reconciliation of reportable segment revenue, profit or loss:

	2013 *HK$'000*	2012 *HK$'000*
Revenue		
Total revenue of reportable segments	**1,806,585**	1,568,958
Unallocated amounts	**–**	–
Consolidated revenue	**1,806,585**	1,568,958

	2013 *HK$'000*	2012 *HK$'000*
Profit or loss		
Total profit or loss of reportable segments	**164,858**	184,390
Unallocated amounts:		
Interest income	**1,699**	819
Gain on financial assets at fair value through profit or loss	**16,001**	1,452
Finance costs	**(10,854)**	(6,769)
Income tax expense	**(34,539)**	(31,336)
Corporate income	**8**	59
Corporate expenses	**(81,061)**	(22,721)
Consolidated profit for the year	**56,112**	125,894

	2013 *HK$'000*	2012 *HK$'000*
Other material items – depreciation		
Total depreciation and amortization of reportable segments	**72,804**	56,529
Unallocated amounts:		
Depreciation of property, plant and equipment for corporate use	**5,591**	6,764
Consolidated depreciation and amortisation	**78,395**	63,293

Geographical information:

Revenue

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**445,542**	435,444
People's Republic of China (the "PRC") except Hong Kong	**825,459**	566,193
Japan	**3,941**	4,632
The United States of America (the "USA")	**447,125**	488,788
Others	**84,518**	73,901
Consolidated total	**1,806,585**	1,568,958

In presenting the geographical information, revenue is based on the locations of the customers.

The Group's non-current assets by geographical areas are not presented as the amount of the geographical segments other than the PRC is less than 10% of the aggregate amount of all segments.

Revenue from major customers:

	2013	2012
	HK$'000	*HK$'000*
Zinc alloy die casting segment		
Customer a	**147,459**	126,497
Customer b	**60,307**	74,077
Magnesium alloy die casting segment		
Customer c	**499,785**	335,399
Aluminium alloy die casting segment		
Customer a	**119,848**	100,218
Plastic injection segment		
Customer b	**97,701**	99,041
Customer d	**396,683**	457,031

5. OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Interest income	**1,699**	819
Rental income	**67**	68
Sale of scrap materials	**4,110**	1,067
Government grants	**416**	1,370
Unrealised gain on financial assets at fair value through profit or loss	**8,457**	1,198
Realised gain on financial assets at fair value through profit or loss	**7,544**	254
Others	**4,457**	656
	26,750	5,432

6. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest expenses on bank borrowings	**10,763**	6,561
Finance lease charges	**91**	208
	10,854	6,769

7. INCOME TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**17,570**	15,837
Over-provision in prior years	**(4,139)**	(141)
Current tax – PRC enterprise income tax		
Provision for the year	**21,612**	17,970
Under/(over)-provision in prior years	**447**	(352)
Deferred tax	**(951)**	(1,978)
	34,539	31,336

Hong Kong Profits Tax has been provided at a rate of 16.5% (2012: 16.5%) on the estimated assessable profits of Hong Kong incorporated subsidiaries for the year ended 31 December 2013.

Under the PRC Enterprise Income Tax ("EIT") law, the statutory tax rate for the Group's subsidiaries established and operating in Mainland China is 25% (2012: 25%). However, one of the Group's subsidiaries has been recognised as a "New and High Technology Enterprise" in the PRC and were therefore subject to a preferential tax rate of 15% for the year ended 31 December 2013.

Income tax on the overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing on the overseas countries in which the Group operates.

8. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Interim of HK2.6 cents (2012: HK1.6 cents) per ordinary share paid	**23,230**	14,241
Proposed final of HK7.3 cents (2012: final dividend payment of HK8.3 cents) per ordinary share	**65,226**	73,922
Additional dividends paid during the year	**232**	28
	88,688	88,191

9. EARNINGS PER SHARE

Basis earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$60,542,000 (2012: HK$125,894,000) and the weighted average number of ordinary shares of 892,603,263 (2012: 889,114,900) in issue during the year.

Diluted earnings per share

The calculation of diluted earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$60,542,000 (2012: HK$125,894,000) and the weighted average number of ordinary shares of 893,488,157 (2012: 891,374,470), being the weighted average number of ordinary shares of 892,603,263 (2012: 889,114,900) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 884,894 (2012: 2,259,570) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding at the end of the reporting period.

10. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms are generally ranged from 30 to 90 days (2012: 30 to 90 days) after end of the month in which the invoices have been issued. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors. The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is stated as follows:

	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**136,932**	171,809
31 to 60 days	**113,214**	175,295
61 to 90 days	**68,274**	85,620
91 to 180 days	**76,187**	52,473
Over 180 days	**3,096**	844
	397,703	486,041

11. TRADE PAYABLES

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**75,197**	104,811
31 to 60 days	**74,091**	112,475
61 to 90 days	**56,587**	68,365
91 to 180 days	**10,295**	32,535
Over 180 days	**2,970**	1,857
	219,140	320,043

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Financial Review

Riding on the flourishing demand for magnesium alloy notebook computer casings because of the rising penetration of Ultrabooks in the notebook computer industry, the Group sustained a steady growth for the year ended 31 December 2013, with turnover increased by 15.1% to HK$1,806,585,000 (2012: HK$1,568,958,000). Gross profit also reached HK$398,416,000 (2012: HK$353,705,000), representing a year-on-year growth of 12.6%.

Unfortunately, a fire accident took place in one of the Group's production bases in Shenzhen, PRC on 27 November 2013. In this regard, the Group's gross profit margin for the year has decreased from 22.5% to 22.1% due to a temporary increase in subcontracting charges resulting from the above-mentioned fire accident together with the increase in overtime labour cost. In addition, in accordance with the relevant accounting standards, an impairment loss of HK$52,343,000 has to be made for inventories and property, plant and equipment of the Group as a result of the fire accident. As a result, profit attributable to owners of the Company dropped by 51.9% to HK$60,542,000 (2012: HK$125,894,000).

In response to the fire accident, contingency arrangements have been swiftly made to shift part of the production to another nearby production base of the Group in Shenzhen and to subcontract part of the affected production processes to our partners in the supply chain. Meanwhile, the Group has also relocated certain production lines to its newly constructed production plant (the second phase development) at Daya Bay, Huizhou, the PRC. Up to this moment, the Group's normal output capacity has been restored. Meanwhile, the Group has also been vigorously pursuing the insurance compensation with the relevant insurance company. However, the amount of the insurance compensation has yet to be finalised as the assessment of the loss and damage caused by the fire involves various investigations and inspections of voluminous documentations by the loss adjusters. As such, no amount of the insurance compensation has therefore been recognised in the Group's results for the year ended 31 December 2013. The Board is confident that upon finalisation with the insurance company, the amount of the insurance compensation will be recognised in the Group's results for the year ending 31 December 2014.

(B) Business Review

Magnesium alloy die casting business

During the year, the Group has captured the upward market trend of Ultrabooks and therefore the turnover of magnesium alloy die casting business reached a new high of HK$797,337,000 (2012: HK$502,616,000), representing an increase of 58.6% when compared with that of last year. Contribution from this business segment to the Group's overall turnover also increased from 32.1% to 44.1%. Being a leading one-stop solution provider in the notebook computer casing manufacturing industry, the Group will continue to devote more resources on the research and development of ultra-thin notebook computer casings with an aim to gain more market share.

Plastic injection moulding business

The sales performance of individual new smartphone models launched in 2013 was below expectation and hence the Group's plastic injection moulding business was inevitability affected during the year with turnover decreased by 11.1% to approximately HK$495,085,000 (2012: HK$556,903,000). This segment's contribution to the Group's overall turnover was 27.4% as compared to 35.5% last year. On the other hand, the latest market information has shown that there will be an anticipation for the launch of new smartphone models in 2014 to be well-received by the market and the Group will also focus on the development of innovative plastic products to cater for this upcoming market trend. As such, it is expected that this business segment will regain its growth momentum in the year of 2014.

Zinc alloy die casting business

For the year of 2013, turnover from zinc alloy die casting business slightly decreased by 0.9% to HK$304,731,000 (2012: HK$307,603,000), representing approximately 16.9% (2012: 19.6%) of the Group's overall turnover. Following a gradual economy recovery in the U.S., it is expected that the market demand for household products will continue to improve in 2014.

Aluminium alloy die casting business

Recovery in the global demand for household products has also improved the performance of the Group's aluminium alloy die casting business during the year, with turnover achieving a 3.5% increase to HK$208,265,000 from HK$201,126,000 in 2012. However, its contribution to the Group's overall turnover decreased from approximately 12.8% in 2012 to 11.5% in 2013 as compared with other business segments.

Lighting Products

During the year under review, the turnover of lighting products' business was HK$1,167,000 (2012: HK$710,000), mainly derived from the sale of samples. As plasma lighting products are new to the market, the Group will strive to further develop this business so as to open up a new revenue stream to the Group in the forthcoming future.

(C) Prospects

The global economy will remain challenging in 2014 and economic recovery is coming albeit at a very gradual pace. Notwithstanding the tough market environment for traditional personal computers and notebook computers, sales of Ultrabooks have been encouraging in the year of 2013. Its hybrid features, portability, falling price and advances in displays are contributing factors to the product's continuous growth in the past years. In this regard, it is predicted that the shipments of Ultrabooks will continue to rise in the coming future. This structural change in the industry will inevitably drive personal computer manufacturers to upgrade their product mix to hybrid/tablet/Ultrabook based models to better suit the changing consumption behavior. To cater for this market trend, as a leading magnesium alloy die casting manufacturer serving top-tier notebook computer brands with strong expertise in magnesium alloy die casting as well as surface finishing treatment, the Group is well-positioned to benefit from the growing adoption of Ultrabooks. It is expected that this segment will continue to be a key growth driver of the Group in the forthcoming future.

The replacement rate of smartphones by consumers is very high as the retail prices of smartphones are declining. Global smartphone shipment topped the 1-billion-unit threshold in 2013 and represented approximately 55.1% of all mobile phone shipments. As such, the demand for plastic protective cases is expected to increase. To capitalise on this market trend, the Group will expand its production capacity for the plastic injection moulding business to cater for the market demand accordingly.

The Group strives to continue its efforts in the development of green technologies and energy saving solutions. In 2013, the Group continued to promote plasma lighting business in various regions via the participation of light fairs, product sampling and setting up distributorship in different countries. In August 2013, the Group strategically acquired 60% equity interest in Topanga Asia Limited ("Topanga") which is based in Silicon Valley and engaging in the research and development, manufacturing and distribution of "TOPANGA" branded plasma light source. Based in California, the USA, Topanga has a high level of expertise in industrial lighting engine. This business integration has enabled the Group to enhance the necessary expertise and technology to manufacture advanced plasma lighting products and also enhance quality control on the upstream plasma light engines and light bulbs. Energy-saving lighting solutions are expected to be well-recognised by the market in the coming future and will create synergy effects for the Group's efforts in exploring new market opportunities. The Group is also working closely with Topanga to set up its first research and development centre of plasma lighting in Asia. This planned centre in the Hong Kong Science Park will further expedite the development of plasma lighting technology and enhance the commercialization of the technology and related lighting products.

In addition to the new lighting products' business, the Group is also exploring other new business opportunities in the selling and marketing of computer and communication related products. In 2013, the Group commenced the requisite preparation works, including the evaluation of the market, setting up manpower and building up the network of product sourcing and development. The Group will also participate in the 2014 Consumer Electronics Show in the USA in the coming April and October to expand its customer base within the 3C (communication, computer and consumer electronics) product components related market. The Group's active investment in the above aforementioned new business developments aims to diversify our business scope, thereby opening up new sources of revenue for the Group in the near future.

The Group has set up a joint venture in Wuhu City, Anhui Province, the PRC in March 2013 for the research and development, sale and production of computer and communication related products and components primarily using magnesium alloy as the major production material. As a number of renowned international and domestic players in the electronics and computer industry are located in Anhui Province, the joint venture will utilise its geographical advantage to provide timely support to customers as well as to exchange new market information. The operation of this joint venture has commenced in the first quarter of 2014 for the manufacture of magnesium alloy notebook computer components initially. It is expected that the new automatic spraying production line will also be in place by the second quarter of 2014 to provide surface finishing treatment solutions, with an aim to expand into other related businesses.

The second phase of the Group's industrial complex in Daya Bay, Huizhou, the PRC, had commenced operation in the manufacture of magnesium alloy die casting products during the fourth quarter of 2013. In addition, the Group has also embarked on the development of the third phase of this industrial complex and it is anticipated that the construction will be completed by the fourth quarter of 2014.

Looking ahead, the Group is confident with its future business development and growth prospects. The Group will continue to strengthen its research and development capability in new products with a view to enhance the Group's business scope, thereby elevating its competitiveness amongst peers. In addition, the Group will also further optimise its resources, consolidate and streamline its business structure, so as to create synergy for each business segment to maximize profits for the Group.

(D) Liquidity and Financial Resources

As at 31 December 2013, the Group had pledged bank deposits, restricted bank balances as well as bank and cash balances of approximately HK$280,206,000 (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 31 December 2013 were approximately HK$497,506,000 (2012: HK$330,883,000), comprising bank loans of approximately HK$496,087,000 (2012: HK$325,575,000), obligations under finance leases of approximately HK$1,330,000 (2012: HK$5,308,000) and bank overdrafts of HK$89,000 (2012: nil). All of these borrowings were either denominated in US dollars or Hong Kong dollars to which the interest rates applied were primarily subject to floating interest rate.

As at 31 December 2013, the net gearing ratio (a ratio of the sum of total bank borrowings and obligations under finance leases less pledged bank deposits, restricted bank balances (if any) and bank and cash balances then divided by total equity) of the Group was approximately 26.0% (2012: 24.0%)

As at 31 December 2013, the net current assets of the Group were approximately HK$116,611,000 (2012: HK$174,966,000), which consisted of current assets of approximately HK$939,357,000 (2012: HK$934,083,000) and current liabilities of approximately HK$822,746,000 (2012: HK$759,117,000), representing a current ratio of approximately 1.1 (2012: 1.2).

(E) 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 year under review.

(F) Contingent Liabilities

As at 31 December 2013, the Group had no material contingent liabilities.

(G) Charge on Assets

As at 31 December 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.

(H) Human Resources

As at 31 December 2013, the Group had approximately 4,800 full-time employees (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 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.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK7.3 cents per share for the year ended 31 December 2013 to the shareholders whose names appear on the register of members of the Company on Tuesday, 27 May 2014. Subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on Friday, 16 May 2014, the final dividend will be paid on or about Monday, 9 June 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 14 May 2014 to Friday, 16 May 2014, both days inclusive, during which no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, 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 Tuesday, 13 May 2014.

The register of members will be closed from Friday, 23 May 2014 to Tuesday, 27 May 2014, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the final 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 Thursday, 22 May 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 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") for the year ended 31 December 2013.

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*, 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 comprises 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, Mr. Andrew Look and Dr. Keung Wing Ching. The Chairman of the 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 for the year ended 31 December 2013.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 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 year.

By order of the Board
Ka Shui International Holdings Limited
LEE YUEN FAT
Chairman

Hong Kong, 24 March 2014

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.