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 2014

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2014	2013	+/(-)
	HK$'000	*HK$'000*	
	(unaudited)	(unaudited)	
RESULTS			
Turnover	**755,798**	891,376	(15.2)%
Gross profit	**138,220**	211,327	(34.6)%
(Loss)/profit attributable to owners of the Company	**(11,894)**	70,503	(116.9)%
PER SHARE DATA			
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company			
– Basic *(HK cents)*	**(1.3)**	7.9	(116.5)%
– Diluted *(HK cents)*	**(1.3)**	7.9	(116.5)%

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 2014, together with the comparative figures for the corresponding period in 2013.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2014	2013
		HK$'000	*HK$'000*
	Note	**(unaudited)**	(unaudited)
Turnover	*3*	**755,798**	891,376
Cost of sales		**(617,578)**	(680,049)
Gross profit		**138,220**	211,327
Other income	*4*	**7,645**	10,050
Selling and distribution expenses		**(16,303)**	(12,414)
General and administrative expenses		**(135,923)**	(116,434)
Other operating income		**623**	–
(Loss)/profit from operations		**(5,738)**	92,529
Finance costs	*5*	**(6,222)**	(4,786)
(Loss)/profit before tax		**(11,960)**	87,743
Income tax expense	*6*	**(7,827)**	(17,304)
(Loss)/profit for the period	*7*	**(19,787)**	70,439
Attributable to			
Owners of the Company		**(11,894)**	70,503
Non-controlling interests		**(7,893)**	(64)
		(19,787)	70,439
(Loss)/earnings per share	*9*		
– Basic *(HK cents)*		**(1.3)**	7.9
– Diluted *(HK cents)*		**(1.3)**	7.9

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss)/profit for the period	**(19,787)**	70,439
Other comprehensive income for the period, net of tax:		
Item that will be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(14,732)**	12,957
Total comprehensive income for the period	**(34,519)**	83,396
Attributable to		
Owners of the Company	**(26,130)**	83,460
Non-controlling interests	**(8,389)**	(64)
	(34,519)	83,396

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2014 HK$'000 (unaudited)	As at 31 December 2013 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	10	**742,197**	732,377
Goodwill		**1,630**	1,630
Intangible assets		**15,528**	16,728
Available-for-sale financial assets		**–**	–
Deposits paid for acquisition of property, plant and equipment		**38,241**	10,516
		797,596	761,251
Current assets			
Inventories		**150,697**	142,546
Trade receivables	11	**387,411**	397,703
Prepayments, deposits and other receivables		**68,127**	70,902
Financial assets at fair value through profit or loss		**–**	48,000
Pledged bank deposits		**194**	194
Restricted bank balances		**609**	4,779
Bank and cash balances		**213,211**	275,233
		820,249	939,357
Current liabilities			
Trade payables	12	**202,686**	219,140
Deposits received		**2,756**	2,243
Other payables and accruals		**69,055**	77,473
Due to a related company		**879**	1,776
Financial liabilities at fair value through profit or loss		**3,386**	–
Bank borrowings and overdrafts		**488,351**	496,176
Current portion of obligations under finance leases		**188**	1,330
Current tax liabilities		**22,346**	24,608
		789,647	822,746
Net current assets		**30,602**	116,611
Total assets less current liabilities		**828,198**	877,862
Non-current liabilities			
Long term bank borrowings		**50,000**	–
Deferred tax liabilities		**23,961**	24,299
		73,961	24,299
NET ASSETS		**754,237**	853,563
Capital and reserves			
Share capital		**89,372**	89,345
Reserves		**623,891**	714,903
Equity attributable to owners of the Company		**713,263**	804,248
Non-controlling interests		**40,974**	49,315
TOTAL EQUITY		**754,237**	853,563

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATION INFORMATION

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.

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 2013 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 2013.

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 2014. 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.

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 five (2013: five (restated)) operating divisions – zinc, magnesium and 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, 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	**Magnesium alloy die casting**	**Aluminium alloy die casting**	**Plastic injection**	**Lighting Products**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
For the six months ended 30 June 2014						
Revenue from external customers	**122,574**	**341,716**	**97,480**	**193,369**	**659**	**755,798**
Segment (loss)/profit	**(2,484)**	**23,465**	**(397)**	**12,784**	**(19,770)**	**13,598**

	Zinc alloy die casting	Magnesium alloy die casting *(restated)*	Aluminium alloy die casting	Plastic injection	Lighting Products *(restated)*	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
For the six months ended 30 June 2013						
Revenue from external customers	148,512	388,882	104,065	248,923	994	891,376
Segment profit/(loss)	7,602	48,972	8,994	45,485	(4,186)	106,867

	For the six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Reconciliation of reportable segment profit or loss		
Total profit or loss of reportable segments	**13,598**	106,867
Unallocated amounts:		
Interest income	**1,185**	1,052
(Loss)/gain on financial liabilities/assets at fair value through profit or loss	**(7,744)**	5,379
Finance costs	**(6,222)**	(4,786)
Corporate income	**38**	733
Corporate expenses	**(12,815)**	(21,502)
Income tax expense	**(7,827)**	(17,304)
Consolidated (loss)/profit for the period	**(19,787)**	70,439

4. OTHER INCOME

	For the six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income	**1,185**	1,052
Gain on financial assets at fair value through profit or loss	**–**	5,379
Others	**6,460**	3,619
	7,645	10,050

5. FINANCE COSTS

	For the six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest expenses on bank borrowings	**6,205**	4,733
Finance lease charges	**17**	53
	6,222	4,786

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	**5,772**	4,248
Current tax – PRC enterprise income tax		
Provision for the period	**2,055**	13,056
	7,827	17,304

Hong Kong Profits Tax has been provided at a rate of 16.5% for the six months ended 30 June 2014 (for the six months ended 30 June 2013: 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. (LOSS)/PROFIT FOR THE PERIOD

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

	For the six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Amortisation of intangible assets	**1,200**	–
Depreciation of property, plant and equipment	**36,759**	36,741
Loss on disposal of property, plant and equipment	**43**	48
Interest income	**(1,185)**	(1,052)
Loss/(gain) on financial liabilities/assets at fair value through profit or loss	**7,744**	(5,379)
Reversal of allowance for inventories	**(623)**	–

8. DIVIDENDS

	For the six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Proposed interim dividend – nil (2013: HK2.6 cents) per ordinary share	**–**	23,230
Dividends paid during the period		
Final dividend for the year ended 31 December 2013 approved and paid – HK7.3 cents (2012: HK8.3 cents) per ordinary share	**65,226**	73,922
Additional final dividends paid during the period	**15**	231
	65,241	97,383

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the following:

	For the six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss)/Earnings		
(Loss)/profit attributable to owners of the Company, used in the basic and diluted (loss)/earnings per share calculation	**(11,894)**	70,503
Number of shares		
Weighted average number of ordinary shares used in basic (loss)/earnings per share calculation	**893,560,980**	891,754,792
Effect of dilutive potential ordinary shares arising from share options	**–**	1,485,990
Weighted average number of ordinary shares used in diluted (loss)/earnings per share calculation	**893,560,980**	893,240,782

The Company did not have any dilutive potential ordinary shares for the six months ended 30 June 2014 as the effect of share options was anti-dilutive.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group had disposed of certain property, plant and equipment with a carrying amount of approximately HK$54,000 (unaudited) (for the year ended 31 December 2013: HK$1,200,000 (audited)) for proceeds of approximately HK$11,000 (unaudited) (for the year ended 31 December 2013: HK$1,172,000 (audited)), resulting in a loss on disposal of approximately HK$43,000 (unaudited) (for the year ended 31 December 2013: HK$28,000 (audited)).

In addition, the Group had acquired property, plant and equipment of approximately HK$60,723,000 (unaudited) (for the year ended 31 December 2013: HK$135,045,000 (audited)).

11. TRADE RECEIVABLES

The Group normally allows credit terms to customers ranging from 30 to 90 days (31 December 2013: 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 2014, based on the invoice date, and net of allowance, is as follows:

	As at 30 June 2014 *HK$'000* **(unaudited)**	As at 31 December 2013 *HK$'000* (audited)
0 to 30 days	**192,362**	136,932
31 to 60 days	**88,805**	113,214
61 to 90 days	**66,078**	68,274
91 to 180 days	**37,213**	76,187
Over 180 days	**2,953**	3,096
	387,411	397,703

12. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days (31 December 2013: 30 to 90 days) from its suppliers. The ageing analysis of trade payables as at 30 June 2014, based on the date of receipt of goods, is as follows:

	As at 30 June 2014 *HK$'000* **(unaudited)**	As at 31 December 2013 *HK$'000* (audited)
0 to 30 days	**134,750**	75,197
31 to 60 days	**43,803**	74,091
61 to 90 days	**15,164**	56,587
91 to 180 days	**4,343**	10,295
Over 180 days	**4,626**	2,970
	202,686	219,140

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Overview

In the first half of 2014, the global market situations remained challenging and weak consumer sentiment prevailed. Weak demand was exacerbated by a limited number of popular smartphone models launched during the period under review. This led to a decline in the Group's sales of plastic smartphone protective cases. In addition, the Group's magnesium alloy die casting business encountered project delays since part of production facilities were damaged due the occurrence of a fire accident in one of the Group's production bases in Shenzhen, the PRC on 27 November 2013. The Group's turnover thus decreased by 15.2% to HK$755,798,000 (2013 first half: HK$891,376,000) as compared with the previous corresponding period.

As a result of the decrease in the Group's overall turnover together with a temporary surge in subcontracting charges and overtime labour cost due to the fire accident, the Group's overall gross profit margin dropped from 23.7% in the corresponding period last year to 18.3%. The increase in additional subcontracting charges coupled with overtime labour costs had caused a decline in the Group's overall gross profit margin by approximately 2.2%. Since part of the production facilities were damaged due to the occurrence of a fire accident in November 2013, the Group had to subcontract part of the affected production processes to our partners in the supply chain and incur more labor time in order to catch up with the products' delivery schedule as requested by our customers.

In addition, the Group is still in the process of pursuing insurance compensation and hence, no amount of such compensation has yet been recognized in the Group's interim results for the six months ended 30 June 2014. Because of this, the Group had incurred a loss of HK$11,894,000 for the six months ended 30 June 2014 as compared with a profit attributable to owners of the Company of HK$70,503,000 recorded by the Group for the corresponding period in 2013.

In spite of the temporary business disruption, the Group's strength still lies in the research and development capability of new material and technology as well as the continuous effort to innovate. The Group is of the view that it can remain as a preferred business partner of choice for world-class brands and in turn achieve a sustainable growth in the forthcoming future.

(B) Financial Review

For the six months ended 30 June 2014, the Group's turnover dropped by 15.2% to HK$755,798,000 (2013 first half: HK$891,376,000), as compared with the corresponding period in 2013. The decrease was mainly attributable to the decelerated growth in magnesium alloy die casting and plastic injection moulding business together with the sluggish demand for zinc alloy die casting products.

As a result of the decline in the Group's overall turnover together with a temporary increase in subcontracting charges and overtime labour cost resulting from the fire accident, gross profit of the Group for the first half of 2014 decreased by 34.6% to HK$138,220,000 (2013 first half: HK$211,327,000) and the overall gross profit margin also dropped from 23.7% in 2013 first half to 18.3%. As a result, the Group has recorded a loss of HK$11,894,000 for the six months ended 30 June 2014 as compared with a profit attributable to owners of the Company of HK$70,503,000 in the same period last year.

(C) Business Review

Magnesium alloy die casting business

During the period under review, turnover from magnesium alloy die casting business decreased by 12.1% to HK$341,716,000 (2013 first half: HK$388,882,000), accounting for 45.2% (2013 first half: 43.6%) of the Group's turnover. The decline was mainly due to a delay in projects placed by new customers, as a result of the fire accident in November 2013. As the production capacity has already resumed to normal, the Group would be able to handle the new orders in a timely and efficient manner. The Group will strive to capture a larger market share in the notebook computer's casing industry with its competitive strength in magnesium alloy die casting in the second half of 2014.

Plastic injection moulding business

In the first half of 2014, the market response for most new smartphone models launched was below expectation which caused a decline in the turnover of plastic injection moulding business. In view of this, this business segment had recorded a drop of 22.3% to HK$193,369,000 (2013 first half: HK$248,923,000) as compared with the previous corresponding period. This business segment contributed 25.6% (2013 first half: 27.9%) to the Group's total turnover. Yet, there will be many new smartphone models to be launched in the second half of this year which would very likely stimulate the buying interest of consumers. Hence, the Group expects that the performance of its plastic injection moulding business will be improved in the remaining of 2014.

Zinc alloy die casting business

Due to the soft demand for household products, turnover from the zinc alloy die casting business recorded a 17.5% decrease to HK$122,574,000 (2013 first half: HK$148,512,000) for the six months ended 30 June 2014, accounting for 16.2% (2013 first half: 16.7%) of the Group's turnover.

Aluminium alloy die casting business

During the first half of 2014, turnover from the aluminium alloy die casting business slightly decreased by 6.3% to HK$97,480,000 (2013 first half: HK$104,065,000), which accounted for 12.9% of the Group's overall turnover (2013 first half: 11.7%).

Lighting products

During the period under review, the turnover of lighting products business was HK$659,000 (2013 first half: HK$994,000). Due to focusing on the transitional integration of supply chain in the first half of 2014 in order to achieve cost improvement from systematic production and purchase, the turnover was mainly derived from sample sales of enhanced versions.

(D) Prospects

Looking forward, economic growth in the US and Europe would likely to be steady, whilst the problems of heavy debts and deficits are to be resolved. In order to better cope with these challenges ahead, the Group will continue to strengthen its research and development and innovation, enhancing its customer services, and broadening its product portfolio so as to optimize its operational efficiency. Taking into account of its well-established and large customer base, its competitive advantages in the industry as well as its capability to satisfy the ever-changing requirements of customers, the management is confident to achieve a long-term sustainable growth for the Group.

Despite the fact that the shipment volume in the global notebook computer market has continuously declined, the management believes that this trend will decelerate due to the return of the business replacement cycle of notebook computers led by the launch of Windows 8 as well as the cessation of support to Windows XP, the previous generation operation system. It is expected that the demand for the notebook computers will remain stable in the rest of 2014. In addition, the growth of Ultrabook remains promising given its light weight and superior functional performance. As a leading magnesium die casting manufacturer servicing various top-tier notebook computer brands, the Group is well-positioned to capture the growing popularity of Ultrabook. In view of this trend, the Group will endeavor on the research and development of new materials and surface finishing technologies with an aim to enlarge its market share in the notebook computer casing industry.

According to the Allied Business Intelligence Research, global smartphone shipments are estimated to reach 1.25 billion in 2014, accounting for 66% of all mobile phone shipments. Long term prospects and sustainable growth is to take place in developing markets such as China and India. Furthermore, the upcoming release of new top brand smartphone models in the second half of 2014 will become a driving force of market demand. Therefore, the Group's plastic injection moulding business will regain its growth momentum in the latter half of this year. The Group believes that its expertise in plastic injection moulding will enable it to capture this market trend and secure more orders for plastic protective cases.

In response to the fire accident occurred in November 2013, the Group has swiftly made contingency arrangements by shifting part of the Group's production facilities to the second phase of its industrial complex in Daya Bay, Huizhou, the PRC as well as temporarily subcontracting some of the affected production processes to our partners in the supply chain. As the Group's normal output capacity has now been restored, reliance on the support from the subcontractors will be significantly reduced during the second half of 2014. In addition, the third phase of this industrial complex is currently under construction and is expected to be completed by the fourth quarter of 2014.

Since its acquisition of Topanga's Advanced Plasma Lighting ("APL™") and related technology in August 2013, the Group has further developed and promoted its plasma lighting business. Topanga's APL™ technology offers multiple significant advantages, making it a leader in high performance and energy-saving applications, especially in industrial and commercial sectors including horticulture lighting. In view of the global warming and extreme weather situations, it is expected that greenhouse and vegetable farms will experience strong growth in the coming years. APL™ light engine can provide high brightness lighting solution that is far better than traditional high intensity discharge lamps. In particular, its electrode-free light bulbs are suited for long-life applications. Its near point-source intense light can also allow higher flexibility in lighting design and applications. Topanga's APL™ technology has been awarded with many patents in the US and other countries. It is also gaining wider recognition in North America, Europe, China and Hong Kong through participating in trade exhibitions in various countries.

The Group has taken the advantages of Topanga's core strength and utilized its existing distribution channels. Regional workshops and marketing support have been organized with existing and potential clients in order to promote the edge of plasma light technology and applications. The Group's first Asian plasma lighting research and development centre is in progress in Phase 3 of the Hong Kong Science Park. The establishment of this Asian centre will further enhance related technology and business development in different applications. Additional tests and production lines are already in the final stage of preparation, in accordance with the business plan, in order to support the launch of the new series of plasma lighting products. This will certainly open up a new source of revenue for the Group.

Wuhu Lenka Technologies Company Limited, the Group's joint venture in Wuhu City, Anhui Province, the PRC, has commenced operation in the first quarter of 2014. This operation will initially provide surface finishing and assembly of magnesium alloy notebook computer components. This joint venture will utilize its strategic location to engage in new product development and expand the Group's business scope. Furthermore, it will strengthen the Group's existing notebook computer business and create a new platform for further expansion into other related business.

(E) Liquidity and Financial Resources

As at 30 June 2014, the Group had bank and cash balances of approximately HK$214,014,000 (2013: HK$280,206,000), 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 2014 were approximately HK$538,539,000 (2013: HK$497,506,000), comprising bank loans and overdrafts of approximately HK$538,351,000 (2013: HK$496,176,000) and obligations under finance leases of approximately HK$188,000 (2013: HK$1,330,000). 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 2014, 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 43.0% (2013: 26.0%).

As at 30 June 2014, the net current assets of the Group were approximately HK$30,602,000 (2013: HK$116,611,000), which consisted of current assets of approximately HK$820,249,000 (2013: HK$939,357,000) and current liabilities of HK$789,647,000 (2013: HK$822,746,000), representing a current ratio of approximately 1.0 (2013: 1.1).

(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 2014, the Group had no material contingent liabilities.

(H) Charge on Assets

As at 30 June 2014, 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 2014, the Group had approximately 5,500 full-time employees (31 December 2013: 4,800). 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 does not recommend the payment of an interim dividend for the six months ended 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

During the period under review, the Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except the deviation form provision A.2.1 of the CG Code as mentioned below.

Pursuant to Code Provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Lee Yuen Fat, the Chairman of the Company, has assumed the role of Chief Executive Officer of the Company with effect from 1 July 2014 after the resignation of Dr. Keung Wing Ching, Vice Chairman and Chief Executive Officer of the Company, until a suitable replacement can be appointed. The day-to-day management of the business of the Group and the execution of the instruction and directions of the Board are managed by the management team of the Group which comprises the executive directors of the Company and the senior management of the

Group. The Board believes that the allocation of the daily management of different sectors of the Group's business amongst the senior management who possesses experience and qualifications in different areas will enable effective and efficient overall strategic planning for the Group.

The Board will continue to monitor and review the management structure of the Group and make necessary changes when appropriate.

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 four independent non-executive directors – Mr. Sun Kai Lit, Cliff BBS, JP, Ir Dr. Lo Wai Kwok BBS, MH, JP, Mr. Yeow Hoe Ann, John and Mr. Andrew Look. 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 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. 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 2014.

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 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.