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 2014

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2014	2013	+/(-)
	HK$'000	*HK$'000*	
RESULTS			
Turnover	**1,582,333**	1,806,585	(12.4%)
Gross profit	**310,117**	398,416	(22.2%)
Profit attributable to owners of the Company	**77,246**	60,542	27.6%
PER SHARE DATA			
Earnings per share for profit attributable to owners of the Company *(HK cents)*			
– Basic	**8.64**	6.78	27.4%
– Diluted	**8.64**	6.78	27.4%
Dividends per share *(HK cents)*			
– Interim	**–**	2.6	(100.0%)
– Final	**1.6**	7.3	(78.1%)
– Full Year	**1.6**	9.9	(83.8%)

The final dividend of 1.6 HK cents per share (2013: final dividend of 7.3 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 audited final results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013.

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December	
		2014	2013
	Note	***HK$'000***	*HK$'000*
Turnover	*4*	**1,582,333**	1,806,585
Cost of sales		**(1,272,216)**	(1,408,169)
Gross profit		**310,117**	398,416
Other income	*5*	**105,145**	26,750
Selling and distribution expenses		**(32,827)**	(26,606)
General and administrative expenses		**(280,795)**	(239,259)
Other operating expenses		**(2,314)**	(57,796)
Profit from operations		**99,326**	101,505
Finance costs	*6*	**(13,267)**	(10,854)
Profit before tax		**86,059**	90,651
Income tax expense	*7*	**(26,707)**	(34,539)
Profit for the year		**59,352**	56,112
Attributable to			
Owners of the Company		**77,246**	60,542
Non-controlling interests		**(17,894)**	(4,430)
		59,352	56,112
Earnings per share	*9*		
– Basic *(HK cents)*		**8.64**	6.78
– Diluted *(HK cents)*		**8.64**	6.78

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Profit for the year	**59,352**	56,112
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Surplus on revaluation of leasehold land	**21,088**	8,900
Income tax on items that will not be reclassified to profit or loss	**(4,416)**	(1,417)
	16,672	7,483
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	**(16,159)**	17,109
Other comprehensive income for the year, net of tax	**513**	24,592
Total comprehensive income for the year	**59,865**	80,704
Attributable to		
Owners of the Company	**78,034**	84,606
Non-controlling interests	**(18,169)**	(3,902)
	59,865	80,704

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2014	2013
	Note	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**850,414**	732,377
Goodwill		**–**	1,630
Intangible assets		**14,326**	16,728
Available-for-sale financial assets		**–**	–
Deposits paid for acquisition of property, plant and equipment		**7,183**	10,516
		871,923	761,251
Current assets			
Inventories		**200,572**	142,546
Trade receivables	*10*	**414,772**	397,703
Prepayments, deposits and other receivables		**80,488**	70,902
Financial assets at fair value through profit and loss		**614**	48,000
Pledged bank deposits		**20,233**	194
Restricted bank balances		**4,359**	4,779
Bank and cash balances		**237,019**	275,233
		958,057	939,357
Current liabilities			
Trade payables	*11*	**271,990**	219,140
Deposits received		**508**	2,243
Other payables and accruals		**87,498**	77,473
Due to a director		**1,860**	–
Due to a related company		**899**	1,776
Financial liabilities at fair value through profit or loss		**8,888**	–
Bank borrowings and overdrafts		**521,970**	496,176
Current portion of obligations under finance leases		**–**	1,330
Current tax liabilities		**30,969**	24,608
		924,582	822,746
Net current assets		**33,475**	116,611
Total assets less current liabilities		**905,398**	877,862
Non-current liabilities			
Long term bank borrowings		**28,000**	–
Deferred tax liabilities		**27,855**	24,299
		55,855	24,299
NET ASSETS		**849,543**	853,563
Capital and reserves			
Share capital		**89,376**	89,345
Reserves		**728,612**	714,903
Equity attributable to owners of the Company		**817,988**	804,248
Non-controlling interests		**31,555**	49,315
TOTAL EQUITY		**849,543**	853,563

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 A, 29/F, Tower B, Billion Centre, 1 Wang Kwong 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 2014, 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 2014. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

(a) Application of new and revised HKFRSs

The following standards have been adopted by the Group for the first time for the financial year beginning 1 January 2014:

Amendment to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique. The amendments do not have an impact on these consolidated financial statements as the recoverable amounts of assets or cash-generating units have been determined on the basis of their value in use.

Amendments to HKFRS 2 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment clarifies the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition". The amendment is applicable prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014 and had no effect on the Group's consolidated financial statements.

Amendments to HKFRS 3 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment, applicable prospectively to business combinations for which the acquisition date is on or after 1 July 2014, requires any contingent consideration that is classified as an asset or a liability (i.e. non-equity) to be measured at fair value at each reporting date with changes in fair value recognised in profit or loss. It had no effect on the Group's consolidated financial statements.

Amendments to HKFRS 13 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment to the standard's basis for conclusions only clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is retained.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2014. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

List of the new and revised HKFRSs that are relevant to the Group's operations are set out as follows:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

(c) New Hong Kong Companies Ordinance

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant.

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 and certain financial instruments 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 (2013: five) 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, income tax expense and impairment loss caused by fire accident.

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 2014						
Revenue from external customers	**250,620**	**647,584**	**192,753**	**488,369**	**3,007**	**1,582,333**
Segment (loss)/profit	**(4,517)**	**34,401**	**(831)**	**68,824**	**(52,422)**	**45,455**
Depreciation and amortisation	**14,258**	**27,376**	**9,397**	**19,558**	**5,376**	**75,965**

	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

Reconciliation of reportable segment revenue, profit or loss:

	2014	2013
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**1,582,333**	1,806,585
Unallocated amounts	**–**	–
Consolidated revenue	**1,582,333**	1,806,585

	2014	2013
	HK$'000	*HK$'000*
Profit or loss		
Total profit or loss of reportable segments	**45,455**	164,858
Unallocated amounts:		
Interest income	**2,097**	1,699
(Loss)/Gain on financial (liabilities)/assets at fair value through profit or loss	**(8,286)**	16,001
Finance costs	**(13,267)**	(10,854)
Income tax expense	**(26,707)**	(34,539)
Corporate income	**85,647**	8
Corporate expenses	**(25,587)**	(81,061)
Consolidated profit for the year	**59,352**	56,112

	2014	2013
	HK$'000	*HK$'000*
Other material items – depreciation and amortisation		
Total depreciation and amortisation of reportable segments	**75,965**	72,804
Unallocated amounts:		
Depreciation of property, plant and equipment for corporate use	**4,459**	5,591
Consolidated depreciation and amortisation	**80,424**	78,395

Geographical information:

Revenue

	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**456,247**	445,542
People's Republic of China (the "PRC") except Hong Kong	**605,554**	825,459
Japan	**389**	3,941
The United States of America (the "USA")	**445,456**	447,125
Others	**74,687**	84,518
Consolidated total	**1,582,333**	1,806,585

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:

	2014	2013
	HK$'000	*HK$'000*
Zinc alloy die casting segment		
Customer a	**121,646**	147,459
Customer b	**54,988**	60,307
Magnesium alloy die casting segment		
Customer c	**266,679**	499,785
Customer e	**161,517**	N/A
Aluminium alloy die casting segment		
Customer a	**96,824**	119,848
Customer e	**6,706**	N/A
Plastic injection segment		
Customer b	**107,514**	97,701
Customer d	**373,022**	396,683

5. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Interest income on bank deposits	**2,097**	1,699
Rental income	**70**	67
Insurance compensation	**85,572**	–
Reimbursement from customers	**7,439**	2,909
Sales of scrap materials	**6,829**	4,110
Government grants	**2,094**	416
Gain on financial assets at fair value through profit or loss	**–**	16,001
Others	**1,044**	1,548
	105,145	26,750

6. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest expenses on bank borrowings	**13,245**	10,763
Finance lease charges	**22**	91
	13,267	10,854

7. INCOME TAX EXPENSE

	2014	2013
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**15,856**	17,570
Over-provision in prior years	**(1,425)**	(4,139)
Current tax – PRC enterprise income tax		
Provision for the year	**12,617**	21,612
Under provision in prior years	**182**	447
Deferred tax	**(523)**	(951)
	26,707	34,539

Hong Kong Profits Tax has been provided at a rate of 16.5% (2013: 16.5%) on the estimated assessable profits of Hong Kong incorporated subsidiaries for the year ended 31 December 2014.

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% (2013: 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% (2013: 15%) for the year ended 31 December 2014.

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

	2014	2013
	HK$'000	*HK$'000*
Interim of nil cents (2013: HK2.6 cents) per ordinary share paid	**–**	23,230
Proposed final of HK1.6 cents (2013: final dividend payment of HK7.3 cents) per ordinary share	**14,300**	65,226
Additional dividends paid during the year	**15**	232
	14,315	88,688

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$77,246,000 (2013: HK$60,542,000) and the weighted average number of ordinary shares of 893,660,123 (2013: 892,603,263) 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$77,246,000 (2013: HK$60,542,000) and the weighted average number of ordinary shares of 893,767,325 (2013: 893,488,157), being the weighted average number of ordinary shares of 893,660,123 (2013: 892,603,263) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 107,202 (2013: 884,894) assumed to have been issued at no consideration on the deemed exercise of the share options of the Company outstanding at the end of the reporting period. The share options of the subsidiary outstanding at the end of the reporting period are anti-dilutive and hence they are not included in the calculation of diluted earnings per share.

10. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms are generally ranged from 30 to 120 days (2013: 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:

	2014	2013
	HK$'000	*HK$'000*
0 to 30 days	**155,168**	136,932
31 to 60 days	**126,265**	113,214
61 to 90 days	**51,074**	68,274
91 to 180 days	**74,230**	76,187
Over 180 days	**8,035**	3,096
	414,772	397,703

11. TRADE PAYABLES

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

	2014	2013
	HK$'000	*HK$'000*
0 to 30 days	**80,372**	75,197
31 to 60 days	**87,830**	74,091
61 to 90 days	**63,985**	56,587
91 to 180 days	**35,999**	10,295
Over 180 days	**3,804**	2,970
	271,990	219,140

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Financial Review

The Group's turnover, for the year ended 31 December 2014, amounted to approximately HK$1,582,333,000 (2013: HK$1,806,585,000), representing a drop of 12.4% as compared with the previous year. The decrease was mainly attributable to: (i) the fire accident occurred in one of the Group's production bases in Shenzhen, the PRC, on 27 November 2013 (the "Fire Accident"), which damaged part of the production facilities and caused project delays in the magnesium alloy die casting business (for details, please refer to the Company's announcement published on 28 November 2013); and (ii) the slowdown in the global economy that led to sluggish market demand for household products, thus reducing the turnover of the zinc alloy die casting business.

Resulting from 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, gross profit for the year ended 31 December 2014 eroded to HK$310,117,000 (2013: HK$398,416,000), representing a decline of 22.2%. Overall gross profit margin also fell from 22.1% in 2013 to 19.6%.

In November 2014, the Group had finally reached a claim settlement agreement with the relevant insurance company for both the loss of properties and the loss of profits due to business interruption in respect of the Fire Accident. The total insurance compensation (net of deductibles) has been finally agreed at RMB73,800,000 (equivalent to approximately HK$92,885,000) and the Group had received the full amount in December 2014. After taking into account the payment of insurance adjusters' fees, the net proceeds arising from this insurance compensation amounted to HK$85,572,000 had been recognized as other revenue in the Group's results for the year ended 31 December 2014. As a result, the profit attributable to owners of the Company increased by 27.6% to HK$77,246,000 (2013: HK$60,542,000).

(B) Business Review

Magnesium alloy die casting business

Due to delay in orders placing by new customers as a result of the Fire Accident, the turnover of the magnesium alloy die casting business for the year ended 31 December 2014 decreased by 18.8% to HK$647,584,000 (2013: HK$797,337,000), accounting for 40.9% of the Group's turnover (2013: 44.1%). As the production capacity has already been resumed to normal, the Group will be able to handle new orders timely and efficiently. Furthermore, there will be rising application of magnesium alloy on a variety of products, which can create promising growth potential for the Group to capture in the forthcoming future.

Plastic injection moulding business

During the year, the market response for most of the new smartphone models launched was below expectation. As a result, the turnover of this business segment has recorded a slight decline of 1.4% to HK$488,369,000 (2013: HK$495,085,000). Its contribution to the Group's overall turnover increased from approximately 27.4% in 2013 to 30.9% in 2014. According to industry data, the global shipment of smartphones will continue to rise in 2015 and hence, the Group will leverage on its competitive advantages as a professional one-stop solution provider and prepare itself to meet the enormous market demand for plastic protective cases.

Zinc alloy die casting business

The slowdown in the global economy has led to sluggish market demand for household products. During the year, the turnover of the zinc alloy die casting business decreased by 17.8% to HK$250,620,000 (2013: HK$304,731,000) and accounted for 15.8% of the Group's turnover (2013: 16.9%). Resulting from the slow recovery in the global economy that has affected consumers' consumption pattern and sales of household products, the Group's zinc alloy die casting business has inevitably experienced a decline. Following with a gradual economic recovery in the United States, it is expected that the demand for household products will be revitalized in 2015.

Aluminium alloy die casting business

For the year ended 31 December 2014, the turnover of this business segment was HK$192,753,000 (2013: HK$208,265,000), representing a decrease of 7.4% when compared with that of the previous year. The segment's contribution to the Group's overall turnover was 12.2%, as compared to 11.5% in 2013. Looking ahead, the Group will endeavor to expand its product portfolio in this business segment as aluminium alloy die casting products account for a substantial proportion of the total die casting output.

Lighting Products

During the year under review, the turnover of lighting products' business was HK$3,007,000 (2013: HK$1,167,000), mainly derived from the sale of trial products to customers. 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

Due to the slow economic recovery and the change in consumers' preference to light weight computer models, the global shipment of traditional notebooks has been in gradual decline over recent years. Nevertheless, sales of Ultrabooks have still increased steadily due to its more competitive features, sleek design and portability despite unfavorable market conditions. In 2015, the industry estimates that the shipment of Ultrabooks will continue to rise, and hence driving the demand of the Group's magnesium alloy casting business. In addition, resulting from the global move towards the application of more environmentally-friendly, energy-saving and light-weight material, together with the continuous development in product marketing and application, the magnesium alloy industry is at a path of fast development with huge market potential. To capture these market opportunities, the Group is committed to focus on the research and development of new production technology to further enhance its product quality and application. That could, at the same time, enhance the competitiveness of our products, thus ensuring this business segment continues to be the major revenue contributor for the Group. The Group anticipates that there will be a growing trend of using magnesium alloy for products' application in various industries, in particular, the automotive components industry. As automobile manufacturers are now in pursuit of lighter materials for automobile production, the use of magnesium alloy casting featuring light-weight and superior functional performance would match the overall goal of reducing weight in new automobiles. Our continued expansion of product portfolio would positively contribute to the broadening of the Group's income sources.

Short replacement cycle and frequent launch of new smartphone and tablet models every year will continue to drive the market demand for plastic protective cases. Furthermore, leveraging on our expertise in plastic injection moulding, the Group is also involved in the product design for one of our established customers. With our better understanding of customers' needs and preferences, the Group believes that it can further gain customers' trust and help to secure more orders in the forthcoming years. The advanced cooperation with customers also deepens our relationship with vendors, while enhances our production efficiency. Such efficiency improvement will thus enable the Group to provide high-quality plastic protective cases catering for the use in different smartphones and tablets models. It will help establish a longer-term and closer tie with vendors as well as with our customers.

The Group has further developed and promoted its plasma lighting business since the acquisition of Topanga's Advanced Plasma Lighting ("APL™") technology in August 2013. Topanga is an advanced lighting solution provider with its original base in California, USA. Its APL™ technology has been awarded with many patents in the US and various other countries worldwide. APL™ has special advantages for various installations requiring high-lumen output, high performance and consecutive usage, especially for commercial and industrial purposes including horticulture lighting. APL™ light is electrode-free and more efficient than traditional high intensity discharge lamps. In addition, APL™ light is dimmable and provides good flexibility including possible digital interface for maximizing control.

Plasma lighting has an emerging market potential in agriculture and horticulture applications. The world economies are finding solutions in providing sustainable growth in large-scale valuable crops and food farming, given increasing environmental challenges. Rapid advances in lighting technology and fixture efficiency also add to the value chain. Plasma lighting has good potential in maintaining stable food growth environments and adding new avenues of reducing energy costs. In addition, Topanga's APL™ can provide better lighting solution options based on cost efficiency of applicable light for reaching the plant canopy surface. Hence, the positive outlook for plasma lighting technology along with its advantages over other lighting types makes it a prime candidate for agriculture and horticulture applications.

In addition to the progress of its first Asian research and development centre of plasma lighting in the Hong Kong Science Park in Shatin, Hong Kong, Topanga has also set up its manufacturing facility in China in the third quarter of 2014 focusing on high volume production, local sales support in China together with further speeding up of product development. The pilot production line in China has already commenced operation and this would facilitate the launch of more advanced series of plasma lighting products. Further enhancement of global supply chain helps Topanga keeping abreast of APL™ lighting product development and its competitive edges. Through trade exhibitions in various countries, technical workshops and marketing activities organized with existing and potential clients, APL™ has been gaining a wider acceptance in different markets and is well-positioned to capture more business growth opportunities.

Wuhu Lenka Technologies Company Limited, a joint venture of the Group, commenced operation in the first quarter of 2014. Strategically located in Wuhu, Anhui Province in China, this joint venture has geographic advantages to better serve customer clusters in the nearby Eastern China and Greater Shanghai areas, where there are a number of renowned international and domestic technological customers requiring timely support in early stages of new product development. This set-up in Anhui Province enables the Group to provide stronger logistics and manufacturing support to customers as well as to complement the Group's business development in Southern China. This joint venture will continue to develop its regional capability in a range of products that can generate agglomeration benefits through economies of scale in production.

The Fire Accident occurred in November 2013 has accelerated the consolidation of the Group's production to its industrial complex in Daya Bay, Huizhou, the PRC. The construction of the third phase of this industrial complex had been completed in late 2014 and it is expected that operation can commence in the second quarter of 2015.

Looking forward, the Group is confident in our long-term business development and growth prospects. The Group will continue to pursue a prudent yet proactive approach to explore various merger and acquisition opportunities that are in-line with our business model, bringing in further synergy to the Group's operation and sustaining long-term business growth. We will also strive our best to maintain our margins, aiming at maximizing the interests' of our shareholders.

(D) Liquidity and Financial Resources

As at 31 December 2014, the Group had pledged bank deposits, restricted bank balances as well as bank and cash balances of approximately HK$261,611,000 (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 31 December 2014 were approximately HK$549,970,000 (2013: HK$497,506,000), comprising bank loans of approximately HK$549,970,000 (2013: HK$496,087,000), obligations under finance leases of HK$nil (2013: HK$1,330,000) and bank overdrafts of HK$nil (2013: HK$89,000). 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 2014, 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 33.9% (2013: 25.5%)

As at 31 December 2014, the net current assets of the Group were approximately HK$33,475,000 (2013: HK$116,611,000), which consisted of current assets of approximately HK$958,057,000 (2013: HK$939,357,000) and current liabilities of approximately HK$924,582,000 (2013: HK$822,746,000), representing a current ratio of approximately 1.0 (2013: 1.1).

(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 2014, the Group had no material contingent liabilities.

(G) Charge on Assets

As at 31 December 2014, the Group's banking facilities were secured by guarantees given by the following assets: (a) pledged bank deposits of approximately HK$20,039,000; and (b) a property situated in Hong Kong owned by the Group.

(H) Human Resources

As at 31 December 2014, the Group had approximately 5,000 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 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 HK1.6 cents per share for the year ended 31 December 2014 to the shareholders whose names appear on the register of members of the Company on Wednesday, 20 May 2015. Subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on Monday, 11 May 2015, the final dividend will be paid on or about Monday, 1 June 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 6 May 2015 to Monday, 11 May 2015, 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, 5 May 2015.

The register of members will be closed from Monday, 18 May 2015 to Wednesday, 20 May 2015, 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 Friday, 15 May 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

For the year ended 31 December 2014, 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 from 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 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 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 and Mr. Andrew Look. 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 2014.

REVIEW OF FINANCIAL INFORMATION

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

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

Hong Kong, 23 March 2015

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.