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 2015

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2015	2014	+/(-)
	HK$'000	*HK$'000*	
RESULTS			
Revenue	**1,539,344**	1,582,333	(2.7%)
Gross profit	**291,981**	310,117	(5.8%)
(Loss)/profit attributable to owners of the Company	**(63,489)**	77,246	(182.2%)
PER SHARE DATA			
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company			
– Basic *(HK cents)*	**(7.10)**	8.64	(182.2%)
– Diluted *(HK cents)*	**(7.24)**	8.64	(183.8%)
Dividends per share			
– Interim *(HK cents)*	**–**	–	–
– Final *(HK cents)*	**–**	1.6	(100%)
– Full Year *(HK cents)*	**–**	1.6	(100%)

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 2015, together with the comparative figures for the year ended 31 December 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 December	
		2015	2014
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**1,539,344**	1,582,333
Cost of sales		**(1,247,363)**	(1,272,216)
Gross profit		**291,981**	310,117
Other income	*5*	**23,720**	105,145
Selling and distribution expenses		**(28,211)**	(32,827)
General and administrative expenses		**(262,990)**	(271,554)
Other operating expenses and income		**(97,010)**	(11,555)
Gain on a bargain purchase		**9,546**	–
(Loss)/profit from operations		**(62,964)**	99,326
Finance costs	*6*	**(8,792)**	(13,267)
(Loss)/profit before tax		**(71,756)**	86,059
Income tax expense	*7*	**(5,410)**	(26,707)
(Loss)/profit for the year		**(77,166)**	59,352
Attributable to			
Owners of the Company		**(63,489)**	77,246
Non-controlling interests		**(13,677)**	(17,894)
		(77,166)	59,352
(Loss)/Earnings per share	*9*		
– Basic (HK cents)		**(7.10)**	8.64
– Diluted (HK cents)		**(7.24)**	8.64

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(77,166)**	59,352
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Surplus on revaluation of leasehold land	**50,907**	21,088
Income tax on items that will not be reclassified to profit or loss	**(10,688)**	(4,416)
	40,219	16,672
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	**(45,664)**	(16,159)
Other comprehensive income for the year, net of tax	**(5,445)**	513
Total comprehensive income for the year	**(82,611)**	59,865
Attributable to		
Owners of the Company	**(68,924)**	78,034
Non-controlling interests	**(13,687)**	(18,169)
	(82,611)	59,865

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2015	2014
	Note	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**899,035**	850,414
Goodwill		**–**	–
Intangible assets		**718**	14,326
Available-for-sale financial assets		**–**	–
Deposits paid for acquisition of property, plant and equipment		**7,066**	7,183
Deferred tax assets		**12,282**	–
		919,101	871,923
Current assets			
Inventories		**173,924**	200,572
Trade receivables	*10*	**361,385**	414,772
Prepayments, deposits and other receivables		**64,526**	80,488
Financial assets at fair value through profit and loss		**–**	614
Pledged bank deposits		**–**	20,233
Restricted bank balances		**4,117**	4,359
Bank and cash balances		**260,529**	237,019
		864,481	958,057
Assets classified as held for sale		**8,020**	–
Total current assets		**872,501**	958,057
Current liabilities			
Trade payables	*11*	**225,906**	271,990
Deposits received		**330**	508
Other payables and accruals		**87,681**	87,498
Due to a director		**–**	1,860
Due to a related company		**1,895**	899
Financial liabilities at fair value through profit or loss		**52,434**	8,888
Bank borrowings		**422,536**	521,970
Current tax liabilities		**24,585**	30,969
		815,367	924,582
Liabilities directly associated with assets classified as held for sale		**2,502**	–
Total current liabilities		**817,869**	924,582

		As at 31 December	
		2015	2014
	Note	***HK$'000***	*HK$'000*
Net current assets		**54,632**	33,475
Total assets less current liabilities		**973,733**	905,398
Non-current liabilities			
Financial liabilities at fair value through profit or loss		**25,934**	–
Long term bank borrowings		**181,051**	28,000
Deferred tax liabilities		**35,248**	27,855
		242,233	55,855
NET ASSETS		**731,500**	849,543
Capital and reserves			
Share capital		**89,376**	89,376
Reserves		**639,555**	728,612
Equity attributable to owners of the Company		**728,931**	817,988
Non-controlling interests		**2,569**	31,555
TOTAL EQUITY		**731,500**	849,543

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 2015, 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. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

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

(a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. 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 and prior years.

(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 2015. 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 accessing, 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 1	Disclosure Initiative[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[3]

[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.

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap 622) came into operation during the financial year. Although the Company is not incorporated in Hong Kong, the Listing Rules require the Company to comply with the disclosure requirements of the new Hong Kong Companies Ordinance (Cap.622). As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(d) Amendments to the Listing Rules

The Stock Exchange of Hong Kong Limited in April 2015 released revised Appendix 16 of the Listing Rules in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue 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 (2014: 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, gain on a bargain purchase, 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 2015						
Revenue from external customers	**250,322**	**529,870**	**213,760**	**532,151**	**13,241**	**1,539,344**
Segment profit/(loss)	**12,708**	**16,071**	**874**	**72,599**	**(78,983)**	**23,269**
Depreciation and amortisation	**12,073**	**33,474**	**7,327**	**22,586**	**7,216**	**82,676**
Impairment loss on property, plant and equipment	**–**	**–**	**–**	**–**	**4,750**	**4,750**
Impairment loss on intangible assets	**–**	**–**	**–**	**–**	**11,206**	**11,206**

	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

Reconciliation of reportable segment revenue, profit or loss:

	2015 *HK$'000*	2014 *HK$'000*
Revenue		
Total revenue of reportable segments	**1,539,344**	1,582,333
Unallocated amounts	**–**	–
Consolidated revenue	**1,539,344**	1,582,333

	2015	2014
	HK$'000	*HK$'000*
Profit or loss		
Total profit of reportable segments	**23,269**	45,455
Unallocated amounts:		
Gain on a bargain purchase	**9,546**	–
Interest income	**2,194**	2,097
Gain on financial liabilities at fair value through profit or loss	**33**	–
Loss on financial (liabilities)/assets at fair value through profit or loss	**(71,679)**	(8,286)
Finance costs	**(8,792)**	(13,267)
Income tax expense	**(5,410)**	(26,707)
Corporate income	**8,927**	85,647
Corporate expenses	**(35,254)**	(25,587)
Consolidated (loss)/profit for the year	**(77,166)**	59,352

	2015	2014
	HK$'000	*HK$'000*
Other material items – depreciation and amortisation		
Total depreciation and amortisation of reportable segments	**82,676**	75,965
Unallocated amounts:		
Depreciation of property, plant and equipment for corporate use	**4,288**	4,459
Consolidated depreciation and amortisation	**86,964**	80,424

Geographical information:

Revenue

	2015	2014
	HK$'000	*HK$'000*
Hong Kong	**423,003**	456,247
People's Republic of China (the "PRC") except Hong Kong	**597,153**	605,554
Japan	**3,718**	389
The United States of America (the "USA")	**448,620**	445,456
Others	**66,850**	74,687
Consolidated total	**1,539,344**	1,582,333

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% (2014: less than 10%) of the aggregate amount of all segments.

Revenue from major customers:

	2015	2014
	HK$'000	*HK$'000*
Zinc alloy die casting segment		
Customer a	**132,886**	121,646
Customer b	**54,823**	54,988
Magnesium alloy die casting segment		
Customer c	**180,817**	266,679
Customer e	**108,138**	161,517
Aluminium alloy die casting segment		
Customer a	**116,594**	96,824
Customer e	**4,475**	6,706
Plastic injection segment		
Customer b	**118,029**	107,514
Customer a	**8,536**	–
Customer d	**374,948**	373,022

5. OTHER INCOME

	2015	2014
	HK$'000	*HK$'000*
Exchange difference	**8,842**	–
Interest income on bank deposits	**2,194**	2,097
Rental income	**401**	70
Insurance compensation	**–**	85,572
Reimbursement from customers	**7,251**	7,439
Sales of scrap materials	**2,239**	6,829
Government grants	**1,401**	2,094
Others	**1,392**	1,044
	23,720	105,145

6. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest expenses on bank borrowings	**16,480**	13,245
Finance lease charges	**–**	22
Total borrowing costs	**16,480**	13,267
Amount capitalised	**(7,688)**	–
	8,792	13,267

7. INCOME TAX EXPENSE

	2015	2014
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**7,338**	15,856
Under/(over)-provision in prior years	**1,210**	(1,425)
Current tax – PRC enterprise income tax		
Provision for the year	**11,360**	12,617
(Over)/under provision in prior years	**(385)**	182
Deferred tax	**(14,113)**	(523)
	5,410	26,707

Hong Kong Profits Tax has been provided at a rate of 16.5% (2014: 16.5%) on the estimated assessable profits of Hong Kong incorporated subsidiaries for the year ended 31 December 2015.

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% (2014: 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% (2014: 15%) for the year ended 31 December 2015.

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

	2015	2014
	HK$'000	*HK$'000*
Interim of HK nil cents (2014: HK nil) per ordinary share paid	**–**	–
Proposed final of HK nil cents (2014: final dividend payment of HK1.6 cents) per ordinary share	**–**	14,300
Additional dividends paid during the year	**–**	15
	–	14,315

9. (LOSS)/EARNINGS PER SHARE

Basis (loss)/earnings per share

The calculation of basic loss/earnings per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$63,489,000 (2014: profit for the year attributable to owners of the Company of approximately HK$77,246,000) and the weighted average number of ordinary shares of 893,761,400 (2014: 893,660,123) in issue during the year.

Diluted (loss)/earnings per share

The calculation of diluted loss per share attributable to owners of the Company for the year ended 31 December 2015 is based on the diluted loss for the year attributable to owners of the Company of approximately HK$64,743,000, being the loss for the year attributable to owners of the Company used in the basic earnings per share calculation of HK$63,489,000, and reduced by the profit attributable to the non-controlling interest of HK$1,254,000, assuming 300 shares of a subsidiary, Katchon Precision Holdings Company Limited were issued to the seller of Goodly Precision Industrial Limited, a company acquired by the Group during the year, pursuant to the contingent consideration arrangement of the acquisition, and the weighted average number of ordinary shares of 893,761,400 used in the basic loss per share calculation.

The calculation of diluted earnings per share attributable to owners of the Company for the year ended 31 December 2014 is based on the profit for the year attributable to owners of the Company of approximately HK$77,246,000 and the weighted average number of ordinary shares of 893,767,325, being the weighted average number of ordinary shares of 893,660,123 in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 107,202 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 as at 31 December 2014 and 2015 and the share options of the Company outstanding as at 31 December 2015 are anti-dilutive and hence they are not included in the calculation of diluted (loss)/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 (2014: 30 to 120 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:

	2015	2014
	HK$'000	*HK$'000*
0 to 30 days	**149,268**	155,168
31 to 60 days	**113,081**	126,265
61 to 90 days	**46,896**	51,074
91 to 180 days	**50,196**	74,230
Over 180 days	**2,526**	8,035
	361,967	414,772
Reclassified as held for sale	**(582)**	–
	361,385	414,772

11. TRADE PAYABLES

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

	2015	2014
	HK$'000	*HK$'000*
0 to 30 days	**60,775**	80,372
31 to 60 days	**55,845**	87,830
61 to 90 days	**52,850**	63,985
91 to 180 days	**51,415**	35,999
Over 180 days	**5,183**	3,804
	226,068	271,990
Reclassified as held for sale	**(162)**	–
	225,906	271,990

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes include the grouping of loss on disposal of property, plant and equipment, property, plant and equipment written off and loss on financial assets/liabilities at fair value through profit or loss under "other operating expenses and income".

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Financial Review

For the year ended 31 December 2015, the Group's overall revenue dropped by 2.7% to approximately HK$1,539,344,000 (2014: HK$1,582,333,000). The decline was mainly due to the continual slowdown in the global shipment of personal computers which had a negative impact to the Group's magnesium alloy die casting business.

Resulting from the decrease in the Group's overall revenue, gross profit for the year ended 31 December 2015 decreased by 5.8% to HK$291,981,000 (2014: HK$310,117,000). The overall gross profit margin also fell slightly from 19.6% in 2014 to 19.0%.

As a result of the recent fluctuation in the exchange rate of Renminbi, the Group has recorded an unrealised loss on forward foreign exchange contracts of approximately HK$71,263,000 for the year ended 31 December 2015. Furthermore, the Group has decided to restructure and consolidate its plasma lighting business which resulted in an asset write-down in this business segment of approximately HK$22,103,000. These two are fair value and impairment adjustments of the Company's assets for the financial year of 2015 which give rise to a deferred tax asset of HK$11,735,000 and reversal of deferred tax liabilities of HK$2,245,000 and result in a reduction of approximately HK$13,980,000 in the Group's income tax expense for the year. Resulting from this, the Group has eventually recorded a loss attributable to the owners of the Company of approximately HK$63,489,000 for the year ended 31 December 2015 whereas a profit of HK$77,246,000 was recorded by the Group for the previous year. Excluding those aforementioned adjustments as well as the under-performing financial performance of the lighting business, the Group has, in fact, recorded a net profit of approximately HK$49,554,000 from its core business, metal die casting and plastic injection moulding respectively.

(B) Business Review

Magnesium alloy die casting business

Due to the continual slowdown in the global shipment of notebook computers, the revenue of the magnesium alloy die casting business for the year ended 31 December 2015 decreased by 18.2% to HK$529,870,000 (2014: HK$647,584,000), accounting for 34.4% of the Group's overall revenue (2014: 40.9%). Apart from notebook computer casings, the Group will actively explore the other applications of magnesium alloy, especially in the other favourable 3C (communication, computer and consumer electronics) products and automotive components industries so as to capture the growth potential of this segment.

Plastic injection moulding business

During the year, the revenue of this business segment had recorded an increase of 9.0% to HK$532,151,000 (2014: HK$488,369,000), which accounted for 34.6% (2014: 30.9%) of the Group's overall revenue. The increase was mainly attributable to the acquisition of Goodly Precision Industrial Limited ("Goodly Precision") during the year under review. Goodly Precision is a company engaging in the sale and manufacture of automotive and precision components in plastic. Following the persistent growing market demand for smartphones and accessories as well as the Group's continuous effort in enlarging its plastic injection moulding business, it is expected this business segment will become another major revenue contributor of the Group in the forthcoming future.

Zinc alloy die casting business

As household products are common necessities, which are less sensitive to the overall economic environment, the market demand is relatively stable. During the year, the revenue of zinc alloy die casting business was HK$250,322,000, which is at a similar level of 2014 (2014: HK$250,620,000) and accounted for 16.3% of the Group's overall revenue (2014: 15.8%). It is expected that the zinc alloy die casting business will continue to act as a stable revenue contributor for the Group in the coming year.

Aluminium alloy die casting business

The revenue of this business segment for the year ended 31 December 2015 was HK$213,760,000 (2014: HK$192,753,000), representing an increase of 10.9% when compared with that of the previous year. The segment's contribution to the Group's overall revenue had increased slightly from 12.2% in 2014 to 13.9% in 2015. It is expected that this business segment will continue to provide a stable income to the Group in the forthcoming future.

Lighting Products

During the year under review, the revenue of lighting products business was HK$13,241,000 (2014: HK$3,007,000). The increase was mainly derived from the sale of LED lighting products to customers in the United States ("US").

(C) Prospects

In 2016, the Group will continue to proactively yet cautiously expand and explore across all business segments. For the magnesium alloy die casting business, the Group has become the supplier for another two top global computer brands in 2015 and successfully acquired orders for the first half of 2016. The Group believes that the broadening of its customer portfolio can mitigate the impact of the potential slowdown in the overall personal computer market. Apart from magnesium alloy notebook computer casings, the Group will continue to explore new technology trends and new materials, such as application of carbon fiber for

3C products and rare earth magnesium and aluminium alloys for automotive components. With magnesium alloy's characteristics of being light-weight with superior functional performance, it goes perfectly well with the upcoming trend of "vehicle weight reduction". In view of the global trend towards energy saving and more environmental friendly transport, magnesium alloy is expected to be benefitted from this trend and become one of the core raw materials for the manufacture of transportation vehicles and will replace other materials that are heavier and of higher cost. Meanwhile, China is currently the largest potential market of energy-saving vehicles and the Chinese Government has aimed at accelerating the development of the industry by considering it as one of the major focused industries under the 13th Five-year Plan. The Group believes that being the supplier of automotive components for energy-saving vehicles can capture such enormous market potential and drive the development of this business segment. Moreover, the Group will also strive to focus on the research and development of new magnesium alloys and new production technologies with an aim to further expand its income stream.

Meanwhile, the frequent launch of new smartphone models and a shortened replacement cycle will continuously stimulate the demand for smartphones and accessories, thus creating a steadily growing demand for plastic protective cases in the coming years. As such, the Group will leverage on its competitive advantages as a professional one-stop solution provider and prepare itself to satisfy various demands of smartphone protective casings in the market. The Group expects that this segment will continue to be a revenue driver for the Group in the forthcoming future.

During the year under review, the Group has undertaken a few corporate actions to optimise its business structure and to enhance its reach to customers in Eastern China. In order to better control and to execute strategies on the development for Wuhu Lenka Technologies Company Limited ("Wuhu Lenka") in Anhui, the PRC, the Group had acquired the remaining 40% equity interest of Wuhu Lenka from its joint venture partners with completion in July 2015. The purchase consideration was by way of cash in the sum of RMB17,800,000 (equivalent to approximately HKD21,243,000) with reference to the audited net asset value of Wuhu Lenka as at 31 December 2014. Through this acquisition, Wuhu Lenka is now wholly owned and controlled by the Group. This further enables the Group to provide stronger logistics and manufacturing support to our technological customers located in Eastern China as well as complements the Group's business development in Southern China region. Furthermore, in 2015, the Group had acquired 70% equity interest of Goodly Precision, with its plastic moulding production facilities in Suzhou, the PRC and distribution networks, at a consideration of HK$11,200,000 with certain guarantee on Goodly Precision's financial performance for the year 2015. This acquisition enables the Group's further expansion of its product portfolio and customer base for automotive and precision components related segment. Through this acquisition, the Group had recorded a gain on a bargain purchase of HK$9,546,000, which was mainly attributable to the immediate cash realisation opportunity offered to the vendor. On the other hand, after a few years of investment in the plasma lighting business, the Group had decided to lessen its financial burden sustained from this yet to profit making business by introducing a new strategic partner to invest and manage this business jointly in February 2016. This results in a substantial dilution of the Group's shareholding in Topanga from 79.7% to 38.9%. Since then, the Group has become only one of the two major investors and can significantly reduce its future capital and financial outlay to this business segment. Apart from the plasma lighting business, the Group has also explored opportunities in LED lightings for the B2B market in the US, through offering tailor-made and easy-to-assemble LED lighting products and solutions to interior design houses and construction companies mainly for office, industrial and residential markets. It is encouraging to see that this new business has begun to break-even in the fourth quarter of 2015 and the Group believes that it will have a positive financial impact in the forthcoming year.

The business environment will be very challenging in 2016 due to the general slowdown of China's economic growth which will lead to uncertainties and volatilities to the global economy. However, the Group will continue to develop through innovation and technological advances across different business segments. Looking ahead, the Group will continue to strengthen its research and development capability in new products with a view to expand its business scope. In addition, the Group will continue to optimise its resources allocation and to streamline its business operations with an aim to create synergy for each business segment. With determination and hard work, the Group is ready to face the upcoming challenges, embrace different opportunities ahead and strive to maximise the return for our shareholders.

(D) Liquidity and Financial Resources

As at 31 December 2015, the Group had pledged bank deposits, restricted bank balances as well as bank and cash balances of approximately HK$267,496,000 (before the reclassification of assets held for sale) (2014: HK$261,611,000), 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 2015 were all bank loans of approximately HK$603,587,000 (2014: HK$549,970,000). 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 2015, the net gearing ratio (a ratio of the sum of total bank borrowings less pledged bank deposits, restricted bank balances (if any) and bank and cash balances then divided by total equity) of the Group was approximately 45.9% (2014: 33.9%)

As at 31 December 2015, the net current assets of the Group were approximately HK$54,632,000 (2014: HK$33,475,000), which consisted of current assets of approximately HK$872,501,000 (2014: HK$958,057,000) and current liabilities of approximately HK$817,869,000 (2014: HK$924,582,000), representing a current ratio of approximately 1.1 (2014: 1.0).

(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 2015, the Group had no material contingent liabilities.

(G) Charge on Assets

As at 31 December 2015, the Group's banking facilities were secured by guarantees given by the following assets: (a) pledged bank deposits; (b) a property situated in Hong Kong owned by the Group; (c) guarantee from The Hong Kong Mortgage Corporation Limited; (d) corporate guarantees provided by the Company and certain subsidiaries of the Group; and (e) personal guarantee provided by the former shareholder of a subsidiary.

(H) Human Resources

As at 31 December 2015, the Group had approximately 5,800 full-time employees (2014: 5,000). 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 does not recommend the payment of final dividend for the year ended 31 December 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 10 May 2016 to Friday, 13 May 2016, 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 Monday, 9 May 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2015, 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 2015, 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. 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. Following the appointment of Dr. Wong Cheong Yiu as Chief Executive Officer of the Company with effect from 1 June 2015, the roles of chairman and chief executive officer of the Company are segregated and are not performed by the same person. Mr. Lee Yuen Fat, the Chairman, is responsible for the leadership and effective running of the Board while Dr. Wong Cheong Yiu, the Chief Executive Officer, is responsible for the overall management and supervision of the execution of the overall business strategies of the Group.

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. Kong Kai Chuen, Frankie (formerly known as Kong To Yeung, Frankie), Mr. Sun Kai Lit Cliff *BBS, JP*, Ir Dr. Lo Wai Kwok *SBS, MH, JP* and Mr. Andrew Look and is chaired by Mr. Kong Kai Chuen, Frankie (formerly known as Kong To Yeung, Frankie), a qualified accountant with extensive experience in financial reporting and controls.

NOMINATION COMMITTEE

The Nomination Committee was set up in June 2007 and is mainly responsible for reviewing the structure, size and the composition of the Board and making recommendations on any proposed change to the Board to complement the Company's corporate strategy; assessing the independence of independent non-executive directors; making recommendations to the Board on the appointment of directors and succession planning for directors. The members of the Nomination Committee are Mr. Sun Kai Lit Cliff *BBS, JP*, Ir Dr. Lo Wai Kwok *SBS, MH, JP*, Mr. Andrew Look and Mr. Kong Kai Chuen, Frankie (formerly known as Kong To Yeung, Frankie). 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 are to make recommendations to the Board on the Company's policy and structure for the remuneration of directors and senior management. It also reviews and determines the terms of remuneration packages, the award of bonuses and other compensation payable to individual directors and senior management with reference to the Board's corporate goals and objectives. The Remuneration Committee comprises four independent non-executive directors, namely Mr. Sun Kai Lit Cliff *BBS, JP*, Ir Dr. Lo Wai Kwok *SBS, MH, JP*, Mr. Andrew Look and Mr. Kong Kai Chuen, Frankie (formerly known as Kong To Yeung, Frankie). 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 2015.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2015.

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, 30 March 2016

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Lee Yuen Fat, Dr. Wong Cheong Yiu, 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 SBS, MH, JP, Mr. Andrew Look and Mr. Kong Kai Chuen, Frankie (formerly known as Kong To Yeung, Frankie).