

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Ka Shui International Holdings Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser(s) or other transferee(s) or to the bank manager, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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KaShui¹⁹⁸⁰

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)

**MAJOR AND CONNECTED TRANSACTION
DISPOSAL OF EQUITY INTEREST IN MG TECHNOLOGY**

Capitalised terms used in this cover shall have the same meanings as defined in this circular. A letter from the Board is set out on pages 4 to 14 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 15 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 31 of this circular.

A notice dated 22 November 2016 convening the EGM to be held at The Xiamen Suites, 3rd Floor, Prince Hotel, Harbour City, 23 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on 7 December 2016 (Wednesday) at 10:00 a.m. is set out on pages 45 to 46 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy accompanying the notice of the EGM in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so desire.

22 November 2016

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

“Articles”	the articles of association of the Company (as amended from time to time)
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Challenge Capital” or “Independent Financial Adviser”	Challenge Capital Management Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal
“China” or “PRC”	the People’s Republic of China (excluding, for the purposes of this circular, Hong Kong, the Macau Special Administrative Region and Taiwan)
“Company”	Ka Shui International Holdings Limited (嘉瑞國際控股有限公司) (Stock Code: 822), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange
“Completion”	satisfaction of all of the conditions precedent of the Equity Transfer Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	disposal of the Equity Interest by the Vendor as contemplated under the Equity Transfer Agreement
“EGM”	the extraordinary general meeting of the Company to be convened at The Xiamen Suites, 3rd Floor, Prince Hotel, Harbour City, 23 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on 7 December 2016 (Wednesday) at 10:00 a.m. (or any adjournment thereof), for the purpose of considering, and if thought fit, approving the Equity Transfer Agreement and the transactions contemplated thereunder, the notice of which is set out in appendix IV to this circular

DEFINITIONS

“Equity Interest”	the entire equity interest of MG Technology
“Equity Transfer Agreement”	the agreement dated 24 October 2016 entered into between the Vendor and the Purchaser in relation to the Disposal
“Group”	the Company together with its subsidiaries from time to time
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee, comprising all the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Lee and his associates
“Land and Property”	the land use rights over a piece of land located at No. 9 Fenghuang Avenue, Longgang District, Shenzhen, the PRC, together with the building(s) thereon, which consist of production facilities and dormitories, and is wholly-owned by MG Technology
“Latest Practicable Date”	16 November 2016, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	being 31 December 2017, or such later date as the Vendor and the Purchaser may agree in writing
“MG Technology”	創金美科技(深圳)有限公司 (MG Technology (Shenzhen) Company Limited*), a wholly foreign owned enterprise established in the PRC on 13 November 2000 with limited liability and a direct wholly-owned subsidiary of the Vendor
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

DEFINITIONS

“Mr. Lee”	Mr. Lee Yuen Fat (李遠發先生), the founder of the Group, the chairman of the Board, an executive Director and a controlling Shareholder
“Property Valuer”	Norton Appraisals Limited, acting as the independent valuer providing appraisal services on the Land and Property
“Purchaser”	Forever International Development Limited (恆星國際發展有限公司), a company incorporated in Hong Kong with limited liability and is wholly-owned by Mr. Lee
“Retained Cash and Account Receivables”	the aggregate of cash and account receivables less any account payables of MG Technology with a carrying value of not more than HK\$110.0 million as at the Completion
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“sq.m.”	square metre(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Vendor”	Ka Shui (Holdings) Company Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
“%”	per cent

* The English name referred herein represents management’s best efforts at translating the Chinese name of the company, as no English name has been registered, it is for identification purposes only.

In this circular, unless the context otherwise requires, the terms “associate”, “chief executive”, “close associate”, “connected person”, “controlling shareholder”, “subsidiary” and “substantial shareholder” have the meanings given to such terms in the Listing Rules.

In this circular, unless otherwise specified, HK\$ has been converted into RMB at the exchange rate of HK\$1.15:RMB1.00 and vice versa. Such conversion shall not be construed as representations that amount of HK\$ could have been converted into RMB and vice versa at such rate or any other exchanges rates.



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)

Executive Directors:

Mr. Lee Yuen Fat (*Chairman*)

Dr. Wong Cheong Yiu (*Chief Executive Officer*)

Mr. Wong Wing Chuen

Registered office:

Clifton House, 75 Fort Street

P.O. Box 1350 GT, George Town

Grand Cayman, Cayman Islands

Independent Non-executive Directors:

Mr. Sun Kai Lit Cliff *BBS, JP*

Ir Dr. Lo Wai Kwok *SBS, MH, JP*

Mr. Andrew Look

Mr. Kong Kai Chuen, Frankie

Principal place of business

in Hong Kong:

Room A, 29/F

Tower B, Billion Centre

1 Wang Kwong Road, Kowloon Bay

Kowloon, Hong Kong

22 November 2016

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
DISPOSAL OF EQUITY INTEREST IN MG TECHNOLOGY**

1. INTRODUCTION

Reference is made to the Company's announcement dated 24 October 2016, in which the Company announced that the Vendor had entered into the Equity Transfer Agreement, under which the Vendor had conditionally agreed to sell, and the Purchaser had conditionally agreed to acquire, the Equity Interest, representing the entire equity interest in MG Technology. The total consideration of the Disposal is HK\$290.0 million (approximately equivalent to RMB252.2 million).

The purpose of this circular is to provide you with further information in relation to, among other things, (i) the Equity Transfer Agreement; (ii) a letter from the Independent Board Committee containing its recommendations and opinions to the Independent Shareholders after having considered the advice of the Independent Financial Adviser in connection therewith; (iii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder; (iv) certain financial information as required under the Listing Rules; (v) general information about the Group; (vi) the property valuation report of the Land and Property

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prepared by the Property Valuer; and (vii) to give you notice of the EGM at which the resolutions will be proposed to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder.

2. THE EQUITY TRANSFER AGREEMENT

Date: 24 October 2016

Parties: (1) the Vendor; and
(2) the Purchaser.

The Vendor is a wholly-owned subsidiary of the Company. The Purchaser is a company incorporated in Hong Kong with limited liability and is wholly-owned by Mr. Lee, a controlling Shareholder and executive Director. The Purchaser is therefore a connected person of the Company.

The Disposal

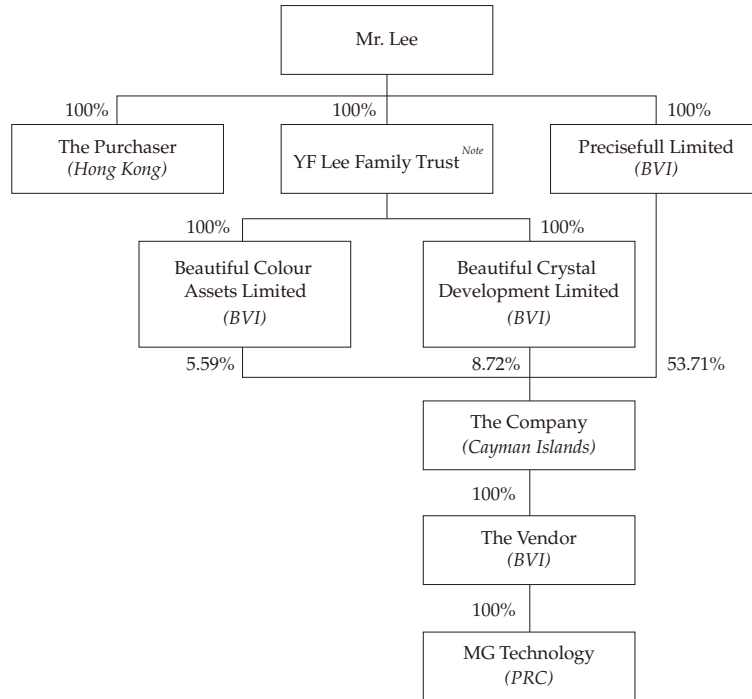
Pursuant to the Equity Transfer Agreement, the Vendor had conditionally agreed to sell, and the Purchaser had conditionally agreed to purchase, the Equity Interest, being the entire equity interest of MG Technology.

As disclosed in the interim report of the Company for the six months ended 30 June 2016, the Group has been relocating its production lines and consolidating its production facilities in Shenzhen and Huizhou in the PRC with an aim to optimise its production efficiency and enhance its value by rationalising its facilities. Pursuant to the Equity Transfer Agreement, save for the Land and Property and the Retained Cash and Account Receivables, the Vendor shall, and shall procure MG Technology to, transfer all assets and liabilities (including all machinery and equipment), businesses and employees of MG Technology to the Company and/or its other subsidiaries (the “**Pre-Completion Transfer**”) and distribute the retained earnings of MG Technology to the Vendor (the “**Pre-Completion Distribution**”) prior to the Completion. Upon completion of the Pre-Completion Transfer and the Pre-Completion Distribution, MG Technology shall retain only (i) the Land and Property; and (ii) the Retained Cash and Account Receivables with a carrying value of not more than HK\$110.0 million as at the Completion.

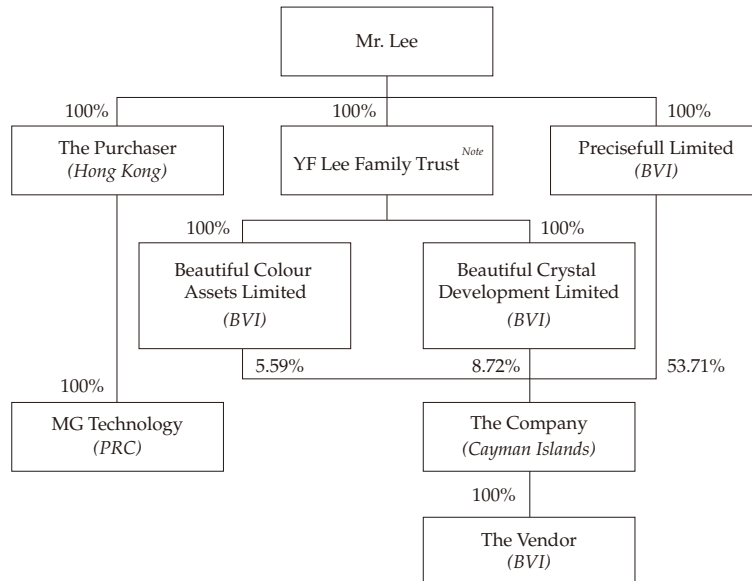
LETTER FROM THE BOARD

Set out below are shareholding structures of the Company (i) immediately before the Completion; and (ii) upon the Completion:

Immediately before the Completion



Upon the Completion



Note: The 127,980,000 shares, in which 77,980,000 shares and 50,000,000 shares are held by Beautiful Crystal Development Limited (“**Beautiful Crystal**”) and Beautiful Colour Assets Limited (“**Beautiful Colour**”) respectively (both companies are wholly-owned by YF Lee Family Trust). YF Lee Family Trust is a discretionary trust set up by Mr. Lee as settlor and UBS TC (Jersey) Limited as trustee on 20 February 2014. The discretionary objects are family members of Mr. Lee. Mr. Lee is the settlor of YF Lee Family Trust and is deemed to be interested in the 127,980,000 shares held by Beautiful Crystal and Beautiful Colour under the SFO.

LETTER FROM THE BOARD

Consideration

The total consideration of the Disposal is HK\$290.0 million (equivalent to approximately RMB252.2 million), which is payable by the Purchaser in cash in accordance with the following schedule:

- HK\$40.0 million . . . within 1 month after the Equity Transfer Agreement having been approved by the Independent Shareholders in the EGM
- HK\$40.0 million . . . within 4 months after the Equity Transfer Agreement having been approved by the Independent Shareholders in the EGM
- HK\$210.0 million . . within 1 month after all conditions precedent to the Equity Transfer Agreement have been satisfied

Basis of the Consideration

The consideration for the Disposal was arrived at arm's length negotiations between the parties to the Equity Transfer Agreement after taking into consideration of the property valuation report of the Land and Property prepared by the Property Valuer, and the expected Retained Cash and Account Receivables which will not exceed HK\$110.0 million (equivalent to approximately RMB95.7 million) as at the Completion.

The Land and Property is valued at HK\$160.0 million (equivalent to approximately RMB139.1 million) pursuant to the property valuation report of the Land and Property prepared by the Property Valuer. Based on the amount of the Retained Cash and Account Receivables with a carrying value of not more than HK\$110.0 million (equivalent to approximately RMB95.7 million) as at the Completion, the consideration to be paid by the Purchaser for the Land and Property is HK\$180.0 million (equivalent to approximately RMB156.5 million), representing a premium of approximately 12.5% over the valuation of the Land and Property pursuant to the property valuation report of the Land and Property prepared by the Property Valuer.

According to the land use right certificate, the Land and Property is for industrial use. The Directors are however aware that according to the statutory plan approved in 2011 and published in April 2014 by the Urban Planning, Land and Resources of the Shenzhen Municipality (the "**Statutory Plan**"), the Land and Property falls within in the area that was re-designated for residential use, administration and office use, and public green space. Upon enquiries made to the relevant authorities on the status of the Land and Property, the Directors were given to understand that as the Land and Property's land use rights were granted prior to the release of the Statutory Plan, the Land and Property retain their existing uses unless an application is made to the relevant authorities to convert their use and a premium is paid for their conversion. The Directors have considered the following

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reasons when arrived to the decision for the Disposal: (i) property development is not the Group's principal business; (ii) the Group does not possess the experience in property development; and (iii) the Directors do not intend to engage in property development and/or to expend capital in converting the land use rights underlying the Land and Property.

Conditions Precedent

Completion of the Disposal is conditional to the satisfaction of the following conditions precedents on or before the Long Stop Date:

- (i) approvals of the Equity Transfer Agreement and the transactions contemplated thereunder having been obtained from the relevant PRC government authorities;
- (ii) the Pre-Completion Transfer and the Pre-Completion Distribution having been completed such that MG Technology shall retain only (i) the Land and Property; and (ii) the Retained Cash and Account Receivables with a carrying value of not more than HK\$110.0 million (equivalent to approximately RMB95.7 million) as at the Completion;
- (iii) approval from the Independent Shareholders in the EGM for the Equity Transfer Agreement and the transactions contemplated thereunder having been obtained;
- (iv) each of the representations and warranties made by the Vendor on the date of the Equity Transfer Agreement remaining true, accurate and complete in all material respects; and
- (v) the Vendor having complied with the obligations, responsibilities and undertaking stipulated in the Equity Transfer Agreement which shall be fulfilled prior to the Completion.

The Equity Transfer Agreement does not grant any right for a party to unilaterally waive any of the conditions precedent.

If the conditions precedent are not satisfied on or before the Long Stop Date, either party shall have the right to terminate the Equity Transfer Agreement by written notice to the other party. Thereafter, the Vendor shall refund the consideration already paid by the Purchaser in connection with the Disposal, and if the Equity Interest has already been registered under the name of the Purchaser, the Purchaser shall procure and ensure that steps for transferring the Equity Interest back to the Vendor and registering the Equity Interest in the Vendor's name are carried out, and neither party to the Equity Transfer Agreement shall have any obligation or liability toward each other except for losses suffered by a party due to any antecedent breaches of the Equity Transfer Agreement.

LETTER FROM THE BOARD

As at the Latest Practicable Date, none of the conditions precedent had been fulfilled.

Completion

Completion of the Disposal will take place after the satisfaction of all conditions precedent to the Equity Transfer Agreement.

As at the Completion, MG Technology shall cease to operate its existing business of manufacture and sale of magnesium and aluminium alloy die casting products and components.

Post-Completion obligations of the Vendor

The Vendor undertakes to settle all outstanding account receivables payable by the subsidiaries of the Group to MG Technology as at the Completion within three months of the Completion (or other period agreed to by the Vendor and the Purchaser in writing). Furthermore, the Vendor shall use its best endeavours to assist the Purchaser and MG Technology to recover the outstanding account receivables payable by independent third parties to MG Technology as at the Completion within three months of Completion (or other period agreed to by the Vendor and the Purchaser in writing).

Indemnity

Upon the Completion, the Vendor shall indemnify MG Technology from and against any losses and liabilities suffered or incurred by MG Technology which occurred prior to the Completion.

3. INFORMATION OF MG TECHNOLOGY

MG Technology is a company incorporated in the PRC and is principally engaged in the manufacture and sale of magnesium and aluminium alloy diecasting products and components. MG Technology provides comprehensive technology and product solutions to customers in computer, consumer electronics, precision and heavy duty tools and automotive industries.

MG Technology has the land use rights over a piece of land located at No. 9 Fenghuang Avenue, Longgang District, Shenzhen, the PRC, with a total site area of approximately 47,880 sq.m., together with the building(s) thereon, which consist of production facilities and dormitories, with a gross floor area of approximately 21,919 sq.m. The relevant land use rights have been granted to MG Technology by the relevant PRC authority for a period ending 4 March 2049 and to be used for industrial use.

MG Technology is a direct wholly-owned subsidiary of the Vendor. As at the Completion, MG Technology will cease to operate its existing business of manufacture and sale of magnesium and aluminium alloy die casting products and components. After the Completion, the Vendor will cease to hold any equity interest in MG Technology and MG Technology will cease to be a subsidiary of the Vendor and the Company.

LETTER FROM THE BOARD

A summary of the audited net profits of MG Technology for each of the two years ended 31 December 2014 and 31 December 2015, prepared in accordance with the China Accounting Standards for Business Enterprises, is set out below:

	For the financial year ended:	
	31 December 2014	31 December 2015
	<i>(RMB million)</i>	<i>(RMB million)</i>
Net profits before taxation and extraordinary items	40.5	17.5
Net profits after taxation and extraordinary items	35.6	13.9

As at 30 June 2016, MG Technology had an unaudited net asset value of approximately HK\$365.8 million (equivalent to approximately RMB318.1 million).

As at 30 June 2016, the Land and Property had a net carrying amount of approximately RMB51.4 million (equivalent to approximately HK\$59.1 million). The Land and Property is valued at HK\$160.0 million (equivalent to approximately RMB139.1 million) pursuant to the property valuation report of the Land and Property prepared by the Property Valuer.

4. REASONS FOR AND BENEFITS OF THE DISPOSAL

As disclosed in the interim report of the Company for the six months ended 30 June 2016, the Group has been relocating its production lines and consolidating its production facilities in Shenzhen and Huizhou in the PRC with an aim to optimise its production efficiency.

The Group has been relocating its production lines and consolidating its production facilities in Shenzhen and Huizhou in the PRC for the past 15 months. We believe that by consolidating and rationalising the Group's facilities the Group's will improve its operational efficiency and enhance shareholders' return because: (i) having the various stages of production located within the same complex allows us to reduce the production lead time and shorten the production lifecycle, reduce transportation and storage costs associated semi-finished products and their transfer to and from our different manufacturing locations; (ii) lower the Group's costs of production (especially labour costs and administration costs) as the average monthly salary of the Group's production staff in Huizhou is lower than that of Shenzhen; and (iii) provide greater flexibility to the Group in its manufacturing operations as the Huizhou facilities are more spacious and integrated.

In particular, the Huizhou plant complex is a facility that already houses many of the Group's production operations, and the consolidation and integration of MG Technology's existing operations will enhance synergy between the different production functions of the Group and will improve overall operational efficiency.

LETTER FROM THE BOARD

In addition, the Disposal will allow the Group to reduce the Group's leverage and enhance the Group's financial position by repaying part of its bank borrowings, realise the fair value of the Group's investment in the Land and Property with a gain, and enjoy a premium based on the consideration to be received by the Company for the Disposal. The Directors expect that the relocation of the MG Technology's production lines will be completed by June 2017. The estimated costs associated with relocation of the machinery and equipment of MG Technology will be HK\$8.0 million (equivalent to approximately RMB7.0 million) and will be borne by the Company.

5. FINANCIAL EFFECTS OF THE DISPOSAL

The Directors expect that the Group will record from the Disposal an unaudited gain before taxation of approximately HK\$94.8 million (equivalent to approximately RMB82.4 million), which is calculated on the basis of the total consideration of the Disposal of HK\$290.0 million (equivalent to approximately RMB252.2 million) after (i) net of the net carrying amount of HK\$59.1 million (equivalent to approximately RMB51.4 million) of the Land and Property of MG Technology as at 30 June 2016, the expected Retained Cash and Account Receivables in an amount of HK\$110.0 million (equivalent to approximately RMB95.7 million) and expected transaction taxes and expenses associated with the Disposal incurred at the Completion in an amount of HK\$33.6 million (equivalent to approximately RMB29.2 million); and (ii) adding back the amount of HK\$7.5 million (equivalent to approximately RMB6.5 million) from reclassification of foreign currency translation reserves of MG Technology as at 30 June 2016 to the consolidated profit or loss of the Company. The actual gain from the Disposal will depend on actual carrying value of the Land and Property and the Retained Cash and Account Receivables at the Completion.

Upon the Completion, the net asset value of the Group will be increased by approximately HK\$87.3 million (equivalent to approximately RMB75.9 million), representing the unaudited gain before taxation after deduction of reclassification of foreign currency translation reserves of MG Technology as at 30 June 2016 to the consolidated profit or loss of the Company amounted to HK\$7.5 million (equivalent to approximately RMB6.5 million).

Given that the existing business of MG Technology will be taken up by other subsidiaries of the Group prior to the Completion, the Disposal will not have any material impact on the earnings of the Group.

6. USE OF PROCEEDS

After deducting from the consideration (i) the expected Retained Cash and Account Receivables at the Completion in the amount of HK\$110.0 million (equivalent to approximately RMB95.7 million); (ii) withholding taxes expected to be incurred arising from the Pre-Completion Distribution in the amount of approximately HK\$16.3 million (equivalent to approximately RMB14.2 million); and (iii) other taxes and expenses expected to be incurred relating to the Disposal in the amount of approximately HK\$17.3 million (equivalent to approximately RMB15.0 million), it is expected that the Company will have an amount of net proceeds of approximately HK\$146.4 million (equivalent to approximately RMB127.3 million). The Directors intend to use 40-50% of the net proceeds

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for repayment of bank borrowings and to reduce the Group's leveraging, with the remainder to be used as general working capital of the Group such as purchases of raw materials.

7. INFORMATION OF THE GROUP AND THE VENDOR

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

The Vendor is a company incorporated in the BVI and its principal business activity is investment holding. The Vendor is a wholly-owned subsidiary of the Company.

8. INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in Hong Kong and its principal business activity is investment holding. As at the Latest Practicable Date, Mr. Lee held 100% of the Purchaser.

9. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Mr. Lee was deemed to be interested in 607,980,000 Shares, representing approximately 68.02% of the issued share capital of the Company. Accordingly, Mr. Lee is a controlling Shareholder.

As the Purchaser is wholly-owned by Mr. Lee, a controlling Shareholder and an executive Director, the Purchaser is a connected person of the Company. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal represent more than 25% but less than 75%, the Disposal also constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Mr. Lee is considered to have a material interest in the Disposal, he had abstained from voting on the relevant Board resolutions to approve the Disposal at the meeting of the Board held on 24 October 2016. Save for Mr. Lee, no Director was required to abstain from voting on the board resolution of the Company to approve the Disposal.

10. THE EGM

The notice of the EGM is set out on pages 45 to 46 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which

LETTER FROM THE BOARD

it is signed, or a certified copy of that power or authority must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending the EGM or any adjournment thereof and voting in person if you so wish and in such event, the form of proxy will be deemed to be revoked.

Pursuant to the Listing Rules, any Shareholder who has a material interest in the Disposal and his close associates is required to abstain from voting on the relevant resolutions at the EGM. Accordingly, Mr. Lee and his associates are required to abstain from voting on the resolutions to approve the Disposal in the EGM.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquires, as at the Latest Practicable Date, no Shareholders (apart from Mr. Lee and his associates) controlled or are entitled to exercise control over voting rights in respect of the Shares.

11. VOTING BY WAY OF POLL

Pursuant to Rule 13.39 of the Listing Rules, all votes of the Shareholders at any general meeting must be taken by poll. The chairman of the EGM will therefore demand a poll for every resolution put to the vote of the EGM pursuant to Article 72 of the Articles.

12. RECOMMENDATION

The Independent Board Committee, comprising all the 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, has been formed to advise the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 15 of this circular.

The Company has appointed Challenge Capital to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder. A letter from Challenge Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 31 of this circular.

The Board has passed resolutions to approve the Equity Transfer Agreement and the transactions contemplated thereunder on 24 October 2016. Apart from Mr. Lee, who had abstained from voting on the relevant board resolutions in respect of the Disposal, none of the Directors has a material interest in the Disposal and no other Director was required to abstain from voting on the relevant Board resolutions to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The Board (excluding the members of the Independent Board Committee, the opinion of which is included in the section headed “Letter from the Independent Board Committee” in this circular) is of the view that the Disposal is on normal commercial terms or better, that the terms of the Equity Transfer Agreement have been determined through arm’s length negotiations between parties, and that they, as well as the consideration received by the Vendor for the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board (excluding the members of the Independent Board Committee, the opinion of which is included in the section headed “Letter from the Independent Board Committee” in this circular) recommends the Shareholders to vote in favour of the ordinary resolution at the EGM in respect of the Disposal.

13. GENERAL

Shareholders and potential investors of the Company should note that completion of the Disposal is subject to the satisfaction of the conditions precedent under the Equity Transfer Agreement, including the obtaining of the Independent Shareholders’ approval at the EGM. Therefore, the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

14. ADDITIONAL INFORMATION

Your attention is drawn to other parts of this circular, which contain general information of the Group, MG technology and other information required to be disclosed under the Listing Rules.

Yours faithfully
For and on behalf of the Board
Lee Yuen Fat
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter dated 22 November 2016 from the Independent Board Committee to the Independent Shareholders in relation to the Disposal prepared for the purpose of inclusion into this circular, setting out its advice to the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder.

Ka Shui¹⁹⁸⁰

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)

22 November 2016

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF
THE ENTIRE EQUITY INTEREST IN MG TECHNOLOGY**

We refer to the circular dated 22 November 2016 issued by the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the terms of the Equity Transfer Agreement. Challenge Capital Management Limited has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of the advice from the Independent Financial Adviser, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 16 to 31 of the Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information set out in the appendix thereto.

Having taken into account the advice of the Independent Financial Adviser, in particular, factors, reasons and recommendation as set out in its letter, we consider that, although the Disposal is not in the ordinary and usual course of business of the Group, the terms of the Disposal are on normal commercial terms, and the Disposal is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend you to vote in favour of the ordinary resolution to be proposed at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee of
Ka Shui International Holdings Limited

Mr. Sun Kai Lit, Cliff BBS, JP

Mr. Andrew Look

Ir Dr. Lo Wai Kwok SBS, MH, JP

Mr. Kong Kai Chuen, Frankie

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter dated 22 November 2016 received from Challenge Capital for inclusion into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder.



信溢投資策劃有限公司
CHALLENGE CAPITAL MANAGEMENT LIMITED

3/F, Kailey Tower,
16 Stanley Street,
Central, Hong Kong

22 November 2016

*To: The Independent Board Committee and the Independent Shareholders
of Ka Shui International Holdings Limited*

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY INTEREST IN MG TECHNOLOGY

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal contemplated under the Equity Transfer Agreement, details of which are set out in the letter from the Board (the “**Letter from Board**”) contained in the circular of the Company to the Shareholders dated 22 November 2016 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined or the context requires otherwise.

On 24 October 2016, the Vendor, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Equity Interest, representing the entire equity interest in MG Technology at a total consideration (the “**Consideration**”) of HK\$290.0 million. Upon Completion, the Vendor will cease to hold any equity interest in MG Technology and MG Technology will cease to be a subsidiary of the Company.

As the Purchaser is wholly-owned by Mr. Lee, a controlling Shareholder and an executive Director, the Purchaser is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 25% but less than 75%, the Disposal also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Therefore, the Disposal is subject to reporting, announcement, circular and Independent

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders' approval requirements under the Listing Rules. As required under Rule 14A.36 of the Listing Rules, Mr. Lee and his associates will abstain from voting at the EGM for approving the Disposal.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to consider the terms of the Equity Transfer Agreement and the transactions contemplated thereunder. We, Challenge Capital Management Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Disposal.

We have not acted as a financial adviser to the Company, the Purchaser, or any of their respective associates within the last two years. As at the Latest Practicable Date, we do not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us for our service to the Company in connection with this appointment, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the information, facts and representations contained or referred to in the Circular, and the information, facts and representations provided to us by the Company, and the opinions expressed by its management. We have assumed that all information, facts and representations contained or referred to in the Circular, and the information, facts and representations provided by the Company, and the opinions expressed by its management, are true, accurate and complete in all material respects as at the date of the Circular and that they may be relied upon in formulating our opinion.

We have also assumed that all views, opinions and statements of intention provided by the advisors and representatives of the Company have been arrived at after due and careful enquiries. The Directors have confirmed to us that no material facts have been withheld or omitted from the information supplied and opinions expressed. We consider that we have been provided with, and have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view to provide a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information provided by the Company and its management, nor have we conducted independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Disposal, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our advice in respect of the Disposal, we have considered the following principal factors and reasons:

A. Background of the Disposal

On 24 October 2016, the Vendor, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Equity Interest, representing the entire equity interest in MG Technology at the Consideration of HK\$290.0 million.

Pursuant to the Equity Transfer Agreement, save for the Land and Property and the Retained Cash and Account Receivables, the Vendor shall, and shall procure MG Technology to, transfer all assets and liabilities (including all machinery and equipment), businesses and employees of MG Technology to the Company and/or its other subsidiaries, and distribute the retained earnings of MG Technology to the Vendor prior to Completion. Upon completion of the Pre-Completion Transfer and Pre-Completion Distribution as described above, MG Technology shall retain only (i) the Land and Property; and (ii) the Retained Cash and Account Receivables with carrying value of not more than HK\$110.0 million as at Completion.

Further details of the Equity Transfer Agreement are set out in the section headed "Letter from the Board — 2. The Equity Transfer Agreement" of the Circular, and the section headed "E. Principal terms of the Equity Transfer Agreement" of this letter.

Upon Completion, the Vendor will cease to hold any equity interest in MG Technology and MG Technology will cease to be a subsidiary of the Company.

B. Overview of the Company

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

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Set out below is a summary of the consolidated financial information of the Company for the years ended 31 December 2014 and 2015, and the six months ended 30 June 2015 and 2016, respectively, as extracted from the Company's annual report for the year ended 31 December 2015 (the "2015 Annual Report") and the Company's interim report for the six months ended 30 June 2016 (the "2016 Interim Report"), respectively:

	For the year ended		For the six months ended	
	31 December		30 June	
	2014	2015	2015	2016
	(audited)	(audited)	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	1,582,333	1,539,344	701,221	753,082
Gross profit	310,117	291,981	125,228	136,350
Net profit/(loss)				
attributable to the				
Shareholders	77,246	(63,489)	381	2,473

For the year ended 31 December 2015

Revenue of the Group decreased from approximately HK\$1,582.3 million for the year ended 31 December 2014 to approximately HK\$1,539.3 million for the year ended 31 December 2015, representing a decrease of approximately 2.7%. As stated in the 2015 Annual Report, such decrease was mainly attributable to the continual slowdown in the global shipment of personal computers which had a negative impact on the Group's magnesium alloy die casting business.

Gross profit of the Group decreased by approximately 5.8% from approximately HK\$310.1 million for the year ended 31 December 2014 to approximately HK\$292.0 million for the year ended 31 December 2015 as a result of the decline in the Group's revenue during the year. The Group's gross profit margin also fell slightly from approximately 19.6% to approximately 19.0%.

The Group recorded a net loss attributable to Shareholders of approximately HK\$63.5 million for the year ended 31 December 2015, as compared to a net profit attributable to Shareholders of approximately HK\$77.2 million for the year ended 31 December 2014, which was mainly attributable to an unrealised loss on forward foreign exchange contracts as resulted from the fluctuation in the exchange rate of RMB during the year, and an asset write-down arising from the restructuring and consolidating of the Group's plasma lighting business.

For the six months ended 30 June 2016

Revenue of the Group increased from approximately HK\$701.2 million for the six months ended 30 June 2015 to approximately HK\$753.1 million for the six months ended 30 June 2016, representing an increase of approximately 7.4%. As stated in the 2016 Interim Report, such increase was mainly attributable to the increase in sales volume of the Group's magnesium alloy die casting business,

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which had more than compensated the drop in sales volume of its plastic injection moulding, zinc alloy and aluminium alloy die casting businesses.

Gross profit of the Group increased by approximately 8.9% from approximately HK\$125.2 million for the six months ended 30 June 2015 to approximately HK\$136.4 million for the six months ended 30 June 2016 as a result of the increase in revenue as discussed above and the increase in gross profit margin from approximately 17.9% to approximately 18.1% for the six months ended 30 June 2016.

The Group recorded an increase in net profit attributable to Shareholders from approximately HK\$0.4 million for the six months ended 30 June 2015 to approximately HK\$2.5 million for the six months ended 30 June 2016. According to the 2016 Interim Report, such increase was mainly attributable to the gain on financial liabilities at fair value through profit or loss as resulted from the reversal of loss arising from settlements and fair value changes on forward foreign exchange contracts, and a gain on deemed disposal of a subsidiary arising from the introduction of a new strategic partner to the Group's plasma lighting business during the period.

C. Overview of MG Technology

MG Technology is a company incorporated in the PRC and is principally engaged in the manufacture and sale of magnesium and aluminium alloy die casting products and components. As disclosed in the Letter from the Board, MG Technology provides comprehensive technology and product solutions to customers in computer, consumer electronics, precision and heavy duty tools and automotive industries.

Set out below is a summary of the financial information of MG Technology for the years ended 31 December 2014 and 2015 based on the audited accounts of MG Technology, and the six months ended 30 June 2016 based on the management accounts of MG Technology, prepared in accordance with the China Accounting Standards for Business Enterprises:

	For the year ended		For the
	31 December		six months
	2014	2015	ended
	<i>RMB'000</i>	<i>RMB'000</i>	30 June
			2016
			<i>RMB'000</i>
Revenue	562,244	484,965	282,537
Net profit before tax and extraordinary items	40,465	17,537	6,873
Net profit after tax and extraordinary items	35,556	13,891	6,615

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As at 30 June 2016, MG Technology had unaudited total assets of approximately RMB538.2 million, and unaudited net assets of approximately RMB318.1 million.

Pursuant to the Equity Transfer Agreement, save for the Land and Property and the Retained Cash and Account Receivables, the Vendor shall, and shall procure MG Technology to, transfer all assets and liabilities (including all machinery and equipment), businesses and employees of MG Technology to the Company and/or its other subsidiaries, and distribute the retained earnings of MG Technology to the Vendor prior to Completion. Upon completion of the Pre-Completion Transfer and Pre-Completion Distribution as described above, MG Technology shall retain only (i) the Land and Property; and (ii) the Retained Cash and Account Receivables with carrying value of not more than HK\$110.0 million as at Completion. Upon Completion, MG Technology will cease to engage in its existing business of manufacture and sale of magnesium and aluminium alloy die casting products and components.

Information of the Land and Property

As at the Latest Practicable Date, MG Technology holds the land use rights over a parcel of land located at No. 9 Fenghuang Avenue, Longgang District, Shenzhen, the PRC with a total site area of approximately 47,880 sq.m., together with the buildings erected thereon which consist of two production facilities and three dormitories with a gross floor area of approximately 21,919 sq.m. The relevant land use rights has been granted to MG Technology by the relevant PRC authority for a period ending on 4 March 2049 and is currently designated for industrial use. According to the property valuation report (the “**Property Valuation Report**”) on the Land and Property set out in Appendix II to the Circular prepared by Norton Appraisals Limited (“**Norton Appraisals**”), the independent valuer, the Land and Property was valued at approximately HK\$160.0 million as at 30 September 2016.

According to the statutory plan (the “**Statutory Plan**”) approved in 2011 and published in April 2014 by the Urban Planning, Land and Resources Commission of Shenzhen Municipality (深圳市規劃和國土資源委員會) (the “**Shenzhen Urban Planning Commission**”), the Land and Property falls within the urban planning zone under the Statutory Plan and has been re-designated for “class two” residential use, administration and office use, and public green space. As stated in the Statutory Plan, “class two” refers to land-uses that are permitted to be changed only after the obtaining of the approval from the relevant PRC authority. In view of the above, we have enquired with Norton Appraisals and were given to understand that:

- (i) based on the enquiry with the Shenzhen Urban Planning Commission by Norton Appraisals, the Statutory Plan governs only the land use rights that were or will be granted after the release of the Statutory Plan, whereas existing land use rights that were granted prior to the release of the Statutory Plan shall continue with their existing uses;

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- (ii) as further confirmed with Shenzhen Urban Planning Commission by Norton Appraisals, change of use of land use rights that were granted prior to the release of the Statutory Plan is subject to the application to and approval from the Shenzhen Urban Planning Commission and the payment of additional land premiums, the amount of which is to be negotiated with the relevant authorities and determined by reference to factors such as developable site area and proposed plot ratio; and
- (iii) sales transactions of land use rights that are also located in the Longgang District and are subject to similar urban planning issued by the Shenzhen Urban Planning Commission were identified and included in the comparable sales transactions when determining the market value of the Land and Property using direct comparison approach (please refer to the section headed “F. Analysis on the fairness and reasonableness of the Consideration” in this letter and Appendix II to the Circular for further details of the valuation of the Land and Property prepared by Norton Appraisals).

Furthermore, we understand from and concur with the Company that it would not be practical for the Group to engage in the redevelopment of the Land and Property to residential and administration and office uses given (i) the principal business of the Group is not of property development; (ii) any change of use of the Land and Property will be subject to the application to and approval from the Shenzhen Urban Planning Commission and the payment of additional land premiums; and (iii) the capital requirement for redeveloping the Land and Property (including the payment of additional land premiums) is expected to be substantial which may put a strain on the Group’s cash flow or cause its leverage to increase further if such capital requirement is to be financed through additional borrowings.

D. Reasons for and benefits of the Disposal

The Group is principally engaged in the manufacture and sale of zinc, magnesium and aluminium alloy die casting and plastic injection products and components which are sold mainly to customers engaging in the household products, 3C (communication, computer and consumer electronics) products, automotive parts and precision components. As at the Latest Practicable Date, the Group has four production facilities in the South China region of the PRC, including (i) a production facility situated at No. 9 Fenghuang Avenue, Longgang District, Shenzhen, the PRC with a total gross floor area of approximately 21,919 sq.m. (that is, the Land and Property); (ii) a production facility situated at No.11 Dongshen Main Road, Egongling Village, Pinghu Town, Longgang District, Shenzhen, Guangdong Province, the PRC with a total gross floor area of approximately 6,090 sq.m. (the “**Shenzhen Plant**”); (iii) an industrial complex situated at Hecha Village, Daya Bay Western District, Huizhou City, Guangdong Province, the PRC with a total gross floor area of approximately 129,014 sq.m. (the “**Huizhou Industrial Complex**”); and (iv) a production facility situated at Guangkong Huizhou Agriculture and Sideline Base, Huitan Lake, Huizhou City, Guangdong Province, the PRC with a total gross floor area of approximately 6,080 sq.m.

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Pursuant to the Equity Transfer Agreement, save for the Land and Property and the Retained Cash and Account Receivables, the Vendor shall, and shall procure MG Technology to, transfer all assets and liabilities (including all machinery and equipment), businesses and employees of MG Technology to the Company and/or its other subsidiaries, and distribute the retained earnings of MG Technology to the Vendor prior to Completion. Upon completion of the Pre-Completion Transfer and Pre-Completion Distribution as described above, MG Technology shall retain only (i) the Land and Property; and (ii) the Retained Cash and Account Receivables with carrying value of not more than HK\$110.0 million as at Completion. As stated in the Letter from the Board, the estimated cost associated with the relocation of the machinery and equipment of MG Technology is approximately HK\$8.0 million.

As stated in the Letter from the Board, the Directors are of the view that the Disposal will allow the Group to consolidate its production facilities, improve its operational efficiency, achieve cost savings due to lower labour costs in the Huizhou area, reduce operating costs by integrating production facilities within the Huizhou Industrial Complex, reduce the Group's leverage and enhance the Group's financial position by repaying part of its bank borrowings, realise the fair value of the Group's investment in the Land and Property with a gain, and enjoy a premium based on the Consideration to be received by the Company for the Disposal.

In assessing the fairness and reasonableness of the Disposal, we have considered the following reasons for and benefits of the Disposal:

- (i) **The Disposal represents a good opportunity for the Group to consolidate and optimise the use of its production facilities, to streamline and centralise its business operations, to improve its overall operational efficiency in the South China region**

The management of the Company advised that the Group had had its production functions spread across different production facilities in the South China region in the past. As disclosed in the 2016 Interim Report, in order to create better synergies, improve operational efficiency and achieve cost-savings, the Group has been relocating its production lines and consolidating its production facilities. Furthermore, based on our discussion with the management of the Company, prior to the entering into of the Equity Transfer Agreement, the Group has been migrating the production lines of MG Technology mainly to the Huizhou Industrial Complex and the remaining to the Shenzhen Plant with a view to shortening the production lead time and production cycle, reducing the transportation costs and storage costs associated with semi-finished products, and optimising the use of its production facilities. Furthermore, we understand from the Company that the Group's production capacities have been markedly expanded following the commencement of operation of the second phase of the Huizhou Industrial Complex in the fourth quarter of 2013. The Huizhou Industrial Complex, which houses a number of production centers, a research and development center, a die design and fabrication center, a warehouse and distribution center, a logistic center, a staff training center and staff quarters, has formed a

modernised and fully integrated supply chain and greatly enhanced the Group's production and research and development capabilities. On the other hand, as advised by the Company, the limited space and dated design of the buildings comprising the Land and Property, which have been put into use since 2003, have hindered the implementation of the Group's production process modernisation and upgrade. As further advised by the Company, the Huizhou Industrial Complex, which is significantly larger than the Land and Property with a total gross floor area of approximately 129,014 sq.m., has sufficient space to cater for the production facilities to be relocated from the Land and Property. Having considered the above, we are of the view that, by relocating and migrating the production lines and production facilities of MG Technology to the Huizhou Industrial Complex, the Disposal represents a good opportunity for the Group to consolidate and optimise the use of its production facilities, to streamline and centralise its business operations and to improve its overall operational efficiency in the South China Region.

(ii) The Disposal would allow the Group to achieve cost-savings and to further benefit from the supportive government policies in Huizhou, the PRC

As disclosed in the Letter from the Board, the Directors are of the view that the Disposal would allow the Group to achieve cost-savings due to lower labour costs in the Huizhou area and to reduce operating costs by integrating its production facilities within the Huizhou Industrial Complex. In this respect, we have enquired with the management of the Company and were given to understand that direct labour costs represented a significant portion of the Group's total production costs and accounted for approximately 25% of the Group's cost of goods sold for the year ended 31 December 2015. The Company further advised that the average monthly salary of the Group's production staff in Shenzhen and Huizhou in June 2016 was approximately RMB5,100 and RMB4,200, respectively. Furthermore, we have reviewed the average annual salary of workers in Shenzhen and Huizhou in 2015 published by the Shenzhen Bureau of Statistics and the Huizhou Bureau of Statistics, respectively, and noted that the average annual salary of workers in Shenzhen was RMB81,034, which was significantly higher than that of Huizhou of RMB58,607. Also, as discussed above, consolidating the Group's production facilities within the Huizhou Industrial Complex would enable the Group to streamline its business operations and optimise the use of its production facilities, which in turn would improve its overall operational efficiency and reduce operating costs. In view of the above, we concur with the view of the Directors that the Disposal would allow the Group to achieve cost-savings through benefiting from the lower labour costs in the Huizhou area and reduction in operating costs.

Since 2013, the People's Government of Huizhou Municipality (the "**Huizhou Government**") has announced a series of incentive programs aiming at attracting talents to Huizhou. In particular, according to the "Implementation Plan for Introduction of Pioneer Talents and Innovation Teams to Huizhou City — the Swan Project" (惠州市引進領軍人才和創新團隊“天鵝計劃”實施方案)

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issued in October 2013 by the Huizhou Government, it is targeted to introduce around 100 technology talents and over 30 innovation teams over the next five years by providing subsidies, housing allowances and other cash awards. Moreover, as noted from the official website of the Huizhou Government, the Huizhou Government announced in March 2016 that it will spend RMB1 billion annually to attract and cultivate talents so as to build a better talent ecology in the local community. We understand from the management of the Company that, the Company has placed great importance on research and development and technological innovation. As noted from the 2015 Annual Report, in December 2015, the Group was awarded the “Learning Enterprises Award” by the Professional Validation Council of Hong Kong Industries which recognised the Group’s efforts in promoting an all-rounded development of its key talents and building a learning-oriented culture through talent training and continuous innovation. Also, in November 2015, the Group had its official opening ceremony for the “Southern China Magnesium Alloy High-Tech Industrial Base” and “Southern Rare Earth Magnesium Alloy Industrial Application Base” at the Huizhou Industrial Complex, which further demonstrated the Group’s continuous efforts in research and development of materials, surface treatment and forming technologies. Having considered the above, we agree that the Disposal would facilitate the Group to attract more talents under the supportive government policies in Huizhou for the future development of the Group’s business.

(iii) The Disposal would enable the Group to reduce leverage and enhance the financial position of the Group

We noted that MG Technology had been profit-making for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016. Taking into account that, as part of the Pre-Completion Transfer, the existing businesses of MG Technology will be transferred to and taken up by the Company and/or its other subsidiaries which is one of the conditions precedent to the Completion, we concur with the view of the Directors that the Disposal would not have a material negative impact on the business and earnings of the Group.

As stated in the Letter from the Board, the Company intends to apply the net proceeds from the Disposal of approximately HK\$146.4 million as to 40% to 50% for the repayment of bank borrowings, with the remainder as general working capital of the Group which shall be used for purposes such as purchase of raw materials. We noted from the 2016 Interim Report that, the Group had bank borrowings of approximately HK\$603.6 million and HK\$628.0 million as at 31 December 2015 and 30 June 2016, respectively. The net gearing ratio (calculated by dividing the sum of total interest-bearing borrowings and obligations under finance leases less bank and cash balances by total equity) of the Group was approximately 45.9% and 50.4% as at 31 December 2015 and 30 June 2016, respectively. Furthermore, it is expected that the Group will realise a gain on disposal of approximately HK\$94.8 million. Therefore, despite that an one-off cost for relocating the machinery and

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equipment of MG Technology of approximately HK\$8.0 million is expected to be incurred, having considered (i) the potential cost-savings from optimising of the Group's production facilities in the South China region; (ii) the intended use of net proceeds from the Disposal; and (iii) the expected gain on disposal, we are of the view that the Disposal would enable the Group to reduce leverage and enhance the financial position of the Group.

- (iv) **The Disposal would allow the Group to realise the fair value of its investment in the Land and Property and enjoy an additional premium over the fair value of the Land and Property**

Based on the Consideration of HK\$290.0 million and the Retained Cash and Account Receivables with carrying value of not more than HK\$110.0 million as at Completion, the consideration to be paid by the Purchaser for the Land and Property amounts to HK\$180.0 million, which represents a premium of approximately 204.6% over the net carrying amount of the Land and Property of approximately HK\$59.1 million as at 30 June 2016 and a premium of 12.5% over the valuation of the Land and Property of HK\$160.0 million according to the Property Valuation Report. As such, we concur with the view of the Directors that the Disposal would allow the Group to realise the fair value of its investment in the Land and Property and enjoy an additional premium over the fair value of the Land and Property.

Having considered all of the above, we concur with the view of the Directors that the Disposal is fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

E. Principal terms of the Equity Transfer Agreement

Date

24 October 2016

Parties

- (i) the Vendor; and
- (ii) the Purchaser

The Vendor is a wholly-owned subsidiary of the Company. The Purchaser is a company incorporated in Hong Kong with limited liability and its principal activity is investment holding. As at the Latest Practicable Date, the Purchaser is wholly-owned by Mr. Lee, a controlling Shareholder and executive Director and is therefore, a connected person of the Company.

Pre-Completion Transfer and Pre-Completion Distribution

Save for the Land and Property and the Retained Cash and Account Receivables, the Vendor shall, and shall procure MG Technology to, transfer all

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assets and liabilities (including all machinery and equipment), businesses and employees of MG Technology to the Company and/or its other subsidiaries, and distribute the retained earnings of MG Technology to the Vendor prior to Completion. Upon completion of the Pre-Completion Transfer and Pre-Completion Distribution as described above, MG Technology shall retain only (i) the Land and Property; and (ii) the Retained Cash and Account Receivables with carrying value of not more than HK\$110.0 million as at Completion.

Conditions precedent

Details of the conditions precedent to the Equity Transfer Agreement are set out in the section headed “Letter from the Board — 2. The Equity Transfer Agreement — Conditions Precedent” in the Circular.

Basis of the Consideration

The Consideration was arrived at after arm’s length negotiations between the parties to the Equity Transfer Agreement after taking into consideration (i) the valuation of the Land and Property based on the Property Valuation Report prepared by Norton Appraisals of HK\$160.0 million; and (ii) the Retained Cash and Account Receivables with carrying value of not more than HK\$110.0 million as at Completion.

Based on the Consideration of HK\$290.0 million and the Retained Cash and Account Receivables with carrying value of not more than HK\$110.0 million as at Completion, the consideration to be paid by the Purchaser for the Land and Property amounts to HK\$180.0 million, which represents a premium of 12.5% over the valuation of the Land and Property of HK\$160.0 million according to the Property Valuation Report.

Payment terms

The Consideration shall be payable by the Purchaser in cash in accordance with the following schedule:

- HK\$40,000,000 within 1 month after the Equity Transfer Agreement having been approved by the Independent Shareholders at the EGM
- HK\$40,000,000 within 4 months after the Equity Transfer Agreement having been approved by the Independent Shareholders at the EGM
- HK\$210,000,000 within 1 month after all conditions precedent to the Equity Transfer Agreement having been satisfied

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Completion

Completion will take place after the satisfaction of all conditions precedent to the Equity Transfer Agreement.

Post-Completion obligation of the Vendor

The Vendor undertakes to settle all outstanding account receivables payable by the subsidiaries of the Group to MG Technology as at Completion within three months from the date of Completion (or other period agreed to by the Vendor and the Purchaser in writing). Furthermore, the Vendor shall use its best endeavours to assist the Purchaser and MG Technology to recover the outstanding account receivables payable by independent third parties to MG Technology as at Completion within three months from the date of Completion (or other period agreed to by the Vendor and the Purchaser in writing).

Indemnity

Upon the Completion, the Vendor shall indemnify MG Technology from and against any losses and liabilities suffered or incurred by MG Technology which occurred prior to Completion.

Please refer to the section headed "Letter from the Board — 2. The Equity Transfer Agreement" in the Circular for further details of the terms of the Equity Transfer Agreement.

F. Analysis on the fairness and reasonableness of the Consideration

As disclosed in the Letter from the Board, the Consideration was arrived at after arm's length negotiations between the parties to the Equity Transfer Agreement after taking into consideration (i) the valuation of the Land and Property based on the Property Valuation Report prepared by Norton Appraisals; and (ii) the Retained Cash and Account Receivables with carrying value of not more than HK\$110.0 million as at Completion.

Based on the Consideration of HK\$290.0 million and the Retained Cash and Account Receivables with carrying value of not more than HK\$110.0 million as at Completion, the consideration to be paid by the Purchaser for the Land and Property amounts to HK\$180.0 million, which represents a premium of approximately 204.6% over the net carrying amount of the Land and Property of approximately HK\$59.1 million as at 30 June 2016 and a premium of 12.5% over the valuation of the Land and Property of HK\$160.0 million according to the Property Valuation Report.

In assessing the fairness and reasonableness of the consideration for the Land and Property, we have reviewed the Property Valuation Report and discussed with Norton Appraisals the methodology and the principal basis and assumptions adopted in arriving at the valuation of the Land and Property. We noted that Norton Appraisals has adopted the direct comparison approach for valuing the Land and Property by making reference to comparable sales transactions in the relevant market. We also noted that the Property

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Valuation Report has been prepared by Norton Appraisals in compliance with the requirements under Chapter 5 of the Listing Rules and the Hong Kong Institute of Surveyors Valuation Standard on Properties (2012 Edition) published by the Hong Kong Institute of Surveyors effective from 1 January 2013.

Based on our enquiries with Norton Appraisals, we understand that the direct comparison approach is the most commonly used and accepted method in determining the value of owner-occupied properties and when comparable sales transactions in the relevant market are available. We have also reviewed the comparable sales transactions relied on by Norton Appraisals and are of the view that such comparable sales transactions are fair and representative samples for the purpose of applying the direct comparison approach. Based on the aforesaid, we consider that the direct comparison approach is a reasonable approach in establishing the market value of the Land and Property.

In addition to the above, we have reviewed a total of seven completed comparable sales transactions in 2016 in the Longgang District (that is, where the Land and Property is located) obtained from public domain, and noted that the average per sq.m. values as implied by those transactions are comparable to that on which the valuation contained in the Property Valuation Report was based.

For our due diligence purpose, we have reviewed and enquired into Norton Appraisals' qualifications and experience in relation to the performance of the valuation. We noted that Norton Appraisals has over 20 years of experience in performing valuation for transactions of listed companies in Hong Kong. We have also reviewed the terms of Norton Appraisals' engagement and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Property Valuation Report. Norton Appraisals confirmed that it is independent from the Company and all relevant material information provided by the Company had been incorporated in the Property Valuation Report and there were no other material relevant information or representations relating to the Land and Property provided or made by the Company to Norton Appraisals not having been included in the valuation.

Having considered the above, and the fact that the consideration for the Land and Property represents a premium of 12.5% over the valuation of the Land and Property according to the Property Valuation Report, we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

G. Financial effects of the Disposal

Upon Completion, the Vendor will cease to hold any equity interest in MG Technology and MG Technology will cease to be a subsidiary of the Company. Accordingly, the financial statements of MG Technology will no longer be consolidated into the consolidated financial statements of the Company upon Completion.

Earnings

As stated in the Letter from the Board, the Directors expect that the Group will record from the Disposal an unaudited gain before taxation of approximately

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

HK\$94.8 million, which is calculated on the basis of the Consideration of HK\$290.0 million after (i) subtracting the net carrying amount of the Land and Property as at 30 June 2016 of approximately HK\$59.1 million, the Retained Cash and Account Receivables with carrying value of not more than HK\$110.0 million as at Completion, and the transaction taxes and expenses associated with the Disposal expected to be incurred of approximately HK\$33.6 million; and (ii) adding back the reclassification of foreign currency translation reserves of MG Technology as at 30 June 2016 to the consolidated profit or loss of the Company of approximately HK\$7.5 million. The actual gain from the Disposal will depend on the actual carrying value of the Land and Property and the Retained Cash and Account Receivables as at Completion.

Given that the existing business of MG Technology will be transferred to and taken up by the Company and/or its other subsidiaries prior to the Completion, we concur with the view of the Directors that the Disposal would not have a material negative impact on the business and earnings of the Group.

Net Assets

According to the 2016 Interim Report, the net assets attributable to Shareholders amounted to approximately HK\$712.2 million as at 30 June 2016. Taking into account the estimated gain on disposal of approximately HK\$94.8 million, it is expected that the Disposal would increase the net asset value of the Group upon Completion.

Liquidity and working capital

As stated in the Letter from the Board, the Company intends to apply the net proceeds from the Disposal of approximately HK\$146.4 million for the repayment of bank borrowings and as working capital of the Group. As such, it is expected that the Disposals would have a positive effect on the liquidity and working capital position of the Group upon Completion.

H. Conclusion

Having taken into account the above, in particular, (i) the reasons for and benefits of the Disposal; (ii) the principal terms of the Equity Transfer Agreement; (iii) the analysis on the fairness and reasonableness of the Consideration; and (iv) the financial effects of the Disposal, we are of the view that the terms of the Disposal are on normal commercial terms, and the Disposal is fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATIONS

Having considered the principal factors and reasons referred to in the above, we are of the opinion that, although the Disposal is not in the ordinary and usual course of business of the Group, the terms of the Disposal are on normal commercial terms, and the Disposal is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to be convened to approve the Disposal.

Yours faithfully,
For and on behalf of

Challenge Capital Management Limited

Wilson Fok

Managing Director

Esther Yuen

Director

Mr. Wilson Fok is a licensed person registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance and has over 10 years of experience in corporate finance.

Ms. Esther Yuen is a licensed person registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance and has over 10 years of experience in corporate finance.

CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2015

Financial information of the Group for each of the three years ended 31 December 2013, 2014 and 2015 are disclosed in the following documents, which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the Company (www.kashui.com) respectively:

- Annual Report 2015 (pages 48 to 171), hyperlink:
<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0412/LTN20160412581.pdf>
- Annual Report 2014 (pages 49 to 171), hyperlink:
<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0408/LTN20150408792.pdf>
- Annual Report 2013 (pages 43 to 147), hyperlink:
<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0404/LTN20140404441.pdf>

INDEBTEDNESS STATEMENT

At the close of business on 31 October 2016, being the latest date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had an outstanding borrowing of HK\$607.9 million and details are as follows:

	As at 31 October 2016 (HK\$ million)
Portion of bank borrowings due for repayment within one year (unsecured)	361.6
Portion of bank borrowings due for repayment within one year (secured)	1.3
Asset-backed financing (unsecured)	93.5
Portion of bank borrowings due for repayment after one year (unsecured)	148.9
Portion of bank borrowings due for repayment after one year (secured)	2.6
	<hr/>
Total outstanding borrowings	607.9

Apart from as disclosed above and intra-group liabilities, at the close of business on the Latest Practicable Date the Group did not have any debt securities authorised or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees, or other material contingent liabilities.

WORKING CAPITAL

After taking into account the available facilities, the internally generated funds and incoming cash flow arising from the Disposal, the Directors are of the opinion that the working capital available to the Group is sufficient for the Group's requirements for at least the next twelve months from the date of the publication of this circular.

FINANCIAL AND TRADING PROSPECTS

Looking ahead, the Group will continue to develop through innovation and technological advances across different business segments. For the magnesium alloy die casting business segment, ultrabook and tablet computer will continue to remain as customers' preferences according to market trends, due to its light-weight characteristics and strength in protection. At the same time, different PC brands will continue to launch new lighter products in the future, whilst developing business by expansions into emerging markets. These emerging markets are expected to be the new growth drivers to the PC brands in the coming years. Being the supplier of the world's leading PC brands, the Group will benefit from the new product cycles and expansion plans of its customers. The Group will also continuously broaden its customer portfolio and explore other applications of magnesium alloy so as to maintain the segment's growth momentum in the future.

Apart from computer casings business, the Group has tapped into the lucrative consumer product and the automobile component businesses to explore further applications of light metal alloy. The new energy vehicle market has been developing rapidly under Chinese Government's supportive policy, such as the 13th Five-year Plan. The Group believes that the rising need in new energy vehicles will subsequently, thus deriving vast demand for light-weight automotive components. With magnesium alloy's characteristics of being light-weight and its high functionality, it goes in-line with the trend of "vehicle weight reduction" and magnesium alloy automotive components will perfectly serve the purpose of energy conservation and environmental protection. Under such circumstance, the Group considers this as a huge market potential to be captured. Currently, the Group has been developing advanced production technologies and new composite materials to cater for the growing needs of the market. At the same time, the Group will further build up its customer base and support in the Eastern China Region through its business operation in this region, with a view to expanding its product portfolio in automotive components and maximizing the synergies of metal alloy together with the plastic segment. With the strategic positioning and strong determination, the Group is positive with the development of die casting industry using new material and is ready to capture the opportunities brought forward by the growing trend of "vehicle weight reduction" and "new energy vehicles".

On the other hand, the launch of new smartphone models and a shortened replacement cycle will stimulate new demand for related plastic protective cases. Leveraging on the expertise as a professional one-stop solution provider in plastic injection, the Group is consistently bringing value to customers by providing quality products with superior functionality that suits the stringent requirements from its customers.

The Group will take prudent and cautious strategies in exploring new business opportunities, while minimizing business risk that might incurred. The Group will strive to strengthen its existing business segments and rationalize its operations, as well as explore strategic opportunities with an aim to create better synergy for its business. The Group remains cautiously optimistic towards future business and strategic development and achieves sustainable growth in forthcoming future.

The following is the text of a letter and a valuation certificate dated 20 October 2016 received from Norton Appraisals Limited, an independent property valuer for inclusion into this circular, in connection with its opinion on the value of the Land and Property as at 30 September 2016.



Unit 2401-02, 24/F, Jubilee Centre
46 Gloucester Road
Wanchai Hong Kong
Tel: (852) 2810 7337 Fax: (852) 2810 6337

20 October 2016

The Directors
Ka Shui International Holdings Limited
Room A, 29th Floor, Tower B, Billion Centre
1 Wang Kwong Road
Kowloon Bay
Kowloon

Our Ref: NAL/PW/OP/R16234

Dear Sirs,

Re: Land and Buildings located in No. 9 Fenghuang Avenue, Longgang District, Shenzhen, the PRC

In accordance with the instructions from Ka Shui International Holdings Limited (hereinafter referred to as the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) for us to value the captioned property interest (the “**Property**”), we confirm that we have carried out inspections, made relevant enquires and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the Property as at 30 September 2016 (hereinafter referred to as the “**Date of Valuation**”) for public documentation purpose.

Our valuation is our opinion of value of the Property on the basis of “Market Value” which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Our valuation has been made on the assumption that the owner sells the Property on the market without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the value of the Property.

No allowance has been made in our report for any charge, mortgage or amount owing on the Property nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In valuing the Property, we have adopted Direct Comparison Approach assuming sale of the Property in its existing state and making reference to relevant comparables as available in the market.

We have relied on the advice given by Group and its PRC legal adviser, Fangda Partners (hereinafter referred to as the “**PRC Legal Adviser**”), regarding the title to the Property as at the Date of Valuation.

We have inspected the exterior and, where possible, the interior of the Property on 31 July 2016 by our Senior Manager Oliver Y. Pan. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the Property are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have not carried out on-site measurements to verify the correctness of the site and floor areas in respect of the Property but have assumed that the areas shown on the documents and floor plans available to us are correct. Dimensions, measurements and areas included in the attached valuation certificate is based on information contained in the documents provided to us and are, therefore, only approximations.

We have relied to a considerable extent on the information provided by the Group and have accepted advice on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, lettings and floor areas as at the date of valuation and all other relevant matters.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Our valuation has been prepared in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors and the requirement as stated in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all monetary amounts stated in our valuation certificate is in Hong Kong Dollars. The exchange rate adopted in our valuation is HK\$1 = RMB0.86 which was the prevailing exchange rate as at the Date of Valuation.

Our valuation certificate is enclosed herewith.

Yours faithfully,
For and on behalf of
Norton Appraisals Limited
Paul M. K. Wong *MHKIS, RPS (G.P.)*
Director

Note: Mr. Paul M. K. Wong is a Registered Professional Surveyor who has more than 25 years' experience in valuation of properties in Hong Kong and the PRC.

VALUATION CERTIFICATE

Property held by the Group for owner-occupied

Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 30 September 2016																					
Land and Buildings located in No. 9 Fenghuang Avenue, Longgang District, Shenzhen, the PRC	The property comprises a parcel of land with a site area of 47,880.10 sq.m. and 5 blocks of low-rised building erected on the subject land with a total gross floor area of 21,919.12 sq.m. completed in 2005. Details of the property are listed as follows:	The property is currently owner-occupied.	HK\$160,000,000 (100% interest attributable to the Group: HK\$160,000,000)																					
	<table border="1"> <thead> <tr> <th>No.</th> <th>Use</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Industrial</td> <td>13,641.24</td> </tr> <tr> <td>3</td> <td>Industrial</td> <td>2,100.92</td> </tr> <tr> <td>4</td> <td>Dormitory</td> <td>4,813.17</td> </tr> <tr> <td>5</td> <td>Dormitory</td> <td>586.99</td> </tr> <tr> <td>6</td> <td>Dormitory</td> <td>776.80</td> </tr> <tr> <td colspan="2">Total:</td> <td><u>21,919.12</u></td> </tr> </tbody> </table>	No.	Use	Gross Floor Area (sq.m.)	1	Industrial	13,641.24	3	Industrial	2,100.92	4	Dormitory	4,813.17	5	Dormitory	586.99	6	Dormitory	776.80	Total:		<u>21,919.12</u>		
No.	Use	Gross Floor Area (sq.m.)																						
1	Industrial	13,641.24																						
3	Industrial	2,100.92																						
4	Dormitory	4,813.17																						
5	Dormitory	586.99																						
6	Dormitory	776.80																						
Total:		<u>21,919.12</u>																						

The land use rights of the property have been granted for a term up to 4 March, 2049 for industrial use.

Notes:

- Pursuant to the Contact for Grant of State Owned Land Use Rights No. (深地合字(2005)5205號) dated 15 September 2005, 深圳市國土資源和房產管理局 (Shenzhen Land Resources and Housing Bureau) agreed to grant the land use rights, having a site area of 47,880.1 sq.m., to 創金美科技(深圳)有限公司 (MG Technology (Shenzhen) Co., Ltd.) (referred to as "MGT"), a wholly-owned subsidiary of the Company, with maximum plot ratio of 0.82 for a term of 50 years for industrial use.
- Pursuant to the 6 Certificates for Real Estate Ownership, the titles of properties are vested in MGT as follows:

No.	Date	Gross Floor Area (sq.m.)	Usage
6000185962	30 November 2005	4,813.17	4#宿舍 (4# Dormitory)
6000185963	10 November 2005	586.99	5#宿舍 (5# Dormitory)
6000185965	10 November 2005	776.80	6#宿舍 (6# Dormitory)
6000185966*	10 November 2005	17,228.13	2#工業廠房 (2# Industrial Factory)
6000185968	10 November 2005	2,100.92	3#工業廠房 (3# Industrial Factory)
6000185970	10 November 2005	13,641.24	1#工業廠房 (1# Industrial Factory)

* Demolished in 2014

3. Pursuant to the Business Licence No. (440307503233590) dated 19 March 2015, MGT has established with a registered capital of HKD150,000,000 for an operation period of 50 years commencing from 13 November 2000 and expiring on 13 November, 2050. The scope of business is manufacturing of alloy spare parts.
4. We have been provided with a legal opinion regarding the property interest by the Group's PRC Legal Adviser, which contains, *inter alia*, the following:
 - (a) MGT has obtained the legal land use rights of the property and has the legal rights to develop, sale, lease, mortgage or otherwise dispose of the property in accordance with the prescribed use term stated in the title certificate;
 - (b) All the land premium of the property have been fully paid; and
 - (c) MGT has been duly incorporated and has full corporate power and legal capacity to carry out on the business specified in the Business Licence of MGT.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, after having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTEREST OF DIRECTORS AND THE CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company, in the Shares, underlying shares of equity derivatives or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (1) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); (2) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (3) required, pursuant to the Model Code to be notified to the Company and the Stock Exchange are set out in the table below:

Interest in the Shares or underlying Shares

Name of Directors/ Chief Executive	Capacity/ Nature of Interests	Number of underlying Shares held in long position	Approximate % of the issued share capital of the Company
Mr. Lee	Interest in controlled company ⁽¹⁾	480,000,000	53.71%
	Founder of a discretionary trust ⁽²⁾	127,980,000	14.31%
Mr. Wong Wing Chuen	Beneficial owner	11,050,000	1.24%
Mr. Andrew Look	Beneficial owner	8,800,000	0.98%
Ir Dr. Lo Wai Kwok	Beneficial owner	1,000,000	0.11%

SBS, MH, JP

Notes:

- (1) Mr. Lee holds the entire issued share capital of Precisefull Limited (“**Precisefull**”). As such, Mr. Lee is deemed to have a controlling interest in Precisefull and is therefore deemed to be interested in the interests of Precisefull in the Company.
- (2) The 127,980,000 shares, in which 77,980,000 shares and 50,000,000 shares are held by Beautiful Crystal Development Limited (“**Beautiful Crystal**”) and Beautiful Colour Assets Limited (“**Beautiful Colour**”) respectively (both companies are wholly-owned by YF Lee Family Trust). YF Lee Family Trust is a discretionary trust set up by Mr. Lee as settlor and UBS TC (Jersey) Limited (“**UBS TC**”) as trustee on 20 February 2014. The discretionary objects are family members of Mr. Lee. Mr. Lee is the settlor of YF Lee Family Trust and is deemed to be interested in the 127,980,000 shares held by Beautiful Crystal and Beautiful Colour under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares and underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code. In addition, save as disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the following persons (other than the Directors or chief executive of the Company) who had interests and short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein, were as follows.

Long positions in the shares and underlying shares of associated corporations

Name of substantial shareholders and other persons	Capacity/Nature of Interests	Number of Shares held	Approximate % of the issued share capital of the Company
Precisefull	Beneficial owner ⁽¹⁾	480,000,000	53.71%
Beautiful Crystal	Beneficial owner ⁽²⁾	77,980,000	8.72%
Beautiful Colour	Beneficial owner ⁽²⁾	50,000,000	5.59%
UBS TC	Trustee ⁽²⁾	127,980,000	14.31%
Famous Wide Limited ("Famous Wide")	Person having a security interest in Shares ⁽³⁾	130,000,000	14.55%
Qi Chang Jing	Interest in controlled company ⁽³⁾	130,000,000	14.55%

Note:

- (1) Mr. Lee holds the entire issued share capital of Precisefull. As such, Mr. Lee is deemed to have a controlling interest in Precisefull and is therefore deemed to be interested in the entire interests of Precisefull in the Company.

- (2) 77,980,000 shares and 50,000,000 shares are held by Beautiful Crystal and Beautiful Colour respectively (both companies are wholly-owned by YF Lee Family Trust). The YF Lee Family Trust is a discretionary trust set up by Mr. Lee as settlor and UBS TC as trustee on 20 February 2014.
- (3) Qi Chang Jing holds the entire issued share capital of Famous Wide. As such, Qi Chang Jing is deemed to have a controlling interest in Famous Wide and is therefore deemed to be interested in the interests of Famous Wide in the Company.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executives of the Company were not aware of any other persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly and indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, other than contracts expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors and his/her respective close associate(s) was interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business as would be required to be disclosed rule 8.10 of the Listing Rules as if each of them was a controlling shareholder.

6. DIRECTORS' AND EXPERTS' INTEREST IN CONTRACTS/ARRANGEMENTS

Save as disclosed in this circular, as at the Latest Practicable Date:

- (a) none of the Directors or experts named in this circular had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by leased to any member of the Group since 31 December 2015, being the date to which the latest published audited accounts of the Company were made up; and
- (b) save for the master agreement entered into between the Company and Chit Shun Machinery Limited on 7 December 2015, none of the Directors was materially interested in any contact or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any members of the Group was engaged in any litigation or claims of material importance, and no litigation or claims of material importance was known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts who have provided opinion or advice which are contained in this circular:

Name	Qualification
Challenge Capital Management Limited	a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Norton Appraisals Limited	an independent property valuer and member of the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors
Fangda Partners	PRC legal advisor

Each of the experts listed in this paragraph has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter and/or report or the references to its name in the form and context in which it appears in this circular.

As at the Latest Practicable Date, none of the experts named in this paragraph had any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group and none of them had any interest, either direct or indirect, in any assets which had since 31 December 2015, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. MATERIAL CONTRACTS

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and up to the Latest Practicable Date and are or may be material:

- (i) the share purchase agreement dated 30 March 2015 entered into between Kalok Technology Investment Limited, an indirect wholly-owned subsidiary of the Group and Topanga Asia Limited ("**Topanga**"), an indirect subsidiary of the Group in relation to the acquisition of approximately 49% of the issued share capital of Topanga at a consideration of US\$4,832,987;
- (ii) the share purchase agreement dated 14 May 2015 entered into between Katchon Precision Holdings Company Limited ("**Katchon**"), an indirect wholly-owned subsidiary of the Company and Man Shu Keung in relation to the acquisition of 100% equity interest of Goodly Precision Industrial Limited at a consideration of HK\$11,200,000 in cash and the issuance of 30% of the issued share capital of Katchon subsequent to such issuance, in aggregate;
- (iii) the equity transfer agreement dated 8 July 2015 entered into between Ka Shui Technology (Huizhou) Company Limited, an indirect wholly-owned subsidiary of the Company, Shenzhen Ouxun Electronics Company Limited* (深圳市歐訊電子有限公司) and Wuhu Lenka Technologies Company Limited ("**Wuhu Lenka**"), an indirect wholly-owned subsidiary of the Company in relation to the acquisition of 8% equity interest of Wuhu Lenka at a consideration of RMB3,560,000;
- (iv) the equity transfer agreement dated 8 July 2015 entered into between Ka Shui Technology (Huizhou) Company Limited, an indirect wholly-owned subsidiary of the Company, Shenzhen Dongweifeng Electrical Technology Shares Company Limited* (深圳市東維豐電子科技股份有限公司) and Wuhu Lenka in relation to the acquisition of 32% equity interest of Wuhu Lenka at a consideration of RMB14,240,000;
- (v) the share purchase agreement dated 5 February 2016 entered into between Topanga, Wing Fung (Int'l) Industrial Company Limited ("**Wing Fung**") and Hundred Bloom Development Limited ("**Hundred Bloom**") in relation to acquisitions of approximately 48% and 3% of the issued share capital of Topanga by Wing Fung and Hundred Bloom at the consideration of US\$1,081,294 and US\$68,706, respectively;
- (vi) letter agreements dated 26 March 2015 and 9 July 2015, entered into between Ka Shui Manufactory Co., Limited ("**Ka Shui Manufactory**"), an indirect wholly-owned subsidiary of the Company and Australia and New Zealand Banking Group Limited, in relation to the terms of forward foreign currency exchange structured transactions with respect to USD/RMB currencies;

- (vii) letter agreements dated 16 March 2015, 30 April 2015 and 9 July 2015 between Ka Shui Manufactory and CTBC Bank Co., Ltd., Hong Kong Branch, in relation to the terms of forward foreign currency exchange structured transactions with respect to USD/RMB currencies;
- (viii) a letter agreement dated 13 July 2015 between Ka Shui Manufactory and The Hongkong and Shanghai Banking Corporation Limited, in relation to the terms of forward foreign currency exchange structured transactions with respect to USD/RMB currencies;
- (ix) letter agreements dated 5 January 2015, 14 April 2015 and 13 July 2015 between Ka Shui Manufactory and Industrial Bank of Taiwan Co., Ltd, Hong Kong Branch, in relation to the terms of forward foreign currency exchange structured transactions with respect to USD/RMB currencies; and
- (x) a letter agreement dated 8 May 2015 between Ka Shui Manufactory and United Overseas Bank Limited, Hong Kong Branch, in relation to the terms of forward foreign currency exchange structured transactions with respect to USD/RMB currencies.

11. MISCELLANEOUS

- (i) The registered office of the Company is at Clifton House, 75 Fort Street, P.O. Box 1350 GT, George Town, Grand Cayman, Cayman Islands and the principal place of business is situated at Room A, 29th Floor, Tower B, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.
- (ii) The Group's principal activities are manufacture and sale of zinc, magnesium and aluminium alloy die casting and plastic injection products and components which are mainly sold to customers engaging in the household products, 3C (communication, computer and consumer electronics) products, automotive parts and precision components.
- (iii) The company secretary of the Company is Ms. Yam Suk Yee Celia, who is an associate member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.
- (iv) The Hong Kong branch share register and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (v) The English text of this circular shall prevail over its Chinese text in case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Room A, 29/F, Tower B, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. on any business day from the date of this circular up to and including the date of the EGM:

- (i) the Articles;
- (ii) the Equity Transfer Agreement;
- (iii) the letter from the Board, the text of which is set out on pages 4 to 14 of this circular;
- (iv) the letter from the Independent Board Committee, the text of which is set out on page 15 of this circular;
- (v) the letter from the Independent Financial Adviser, the text of which is set out on pages 16 to 31 of this circular;
- (vi) the contracts referred to in the section headed "Material Contracts" in this appendix;
- (vii) the audited consolidated financial statement of the Company for each of the years ended 31 December 2013, 2014 and 2015;
- (viii) the letter from and property valuation certificate prepared by the Property Valuer as set out in Appendix II to this circular;
- (ix) the legal opinions prepared by Fangda Partners, the PRC legal advisors of the Group, in respect to the title of the Land and Property;
- (x) the written consents referred to in the section headed "Experts' Qualifications and Consents" in this appendix to this circular; and
- (xi) this circular.

**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)****NOTICE OF EXTRAORDINARY GENERAL MEETING**

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Ka Shui International Holdings Limited (the “Company”) will be held at The Xiamen Suites, 3rd Floor, Prince Hotel, Harbour City, 23 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on 7 December 2016 (Wednesday), at 10:00 a.m. to consider and if thought fit, approve with or without modifications, the following resolution as ordinary resolution:

ORDINARY RESOLUTION**“THAT**

- (i) the equity transfer agreement dated 24 October 2016 entered into between Ka Shui (Holdings) Company Limited and the Purchaser (“**Equity Transfer Agreement**”) (a copy of the Equity Transfer Agreement marked “A” has been produced to the EGM), pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the 100% equity interest in 創金美科技(深圳)有限公司 (MG Technology (Shenzhen) Company Limited*) for a consideration of HK\$290.0 million, and the transactions contemplated thereunder (the “**Transactions**”) be and are hereby approved, confirmed and ratified; and
- (ii) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things incidental to, ancillary to or in connection with the matters contemplated under the Transactions.”

For and on behalf of the Board

Lee Yuen Fat*Chairman*

Hong Kong, 22 November 2016

* *The English name referred herein represents management’s best efforts at translating the Chinese name of the company, as no English name has been registered, it is for identification purposes only*

Principal place of business in Hong Kong:

Room A, 29th Floor, Tower B, Billion Centre
1 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Notes:

1. Every member of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint another person(s) as his/her proxy to attend and vote for him/her on his/her behalf at the EGM.
2. A form of proxy for the EGM is enclosed. To be valid, the form of proxy, together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrar in Hong Kong, being Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as practicable and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be).
3. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the EGM or any adjournment thereof if he/she so desires and, in such event, the instrument appointing a proxy shall be deemed to have been revoked.
4. In the case of joint registered holders of any shares, any one of such persons may vote at the EGM (or at any adjournment thereof), either personally or by proxy, in respect of such share(s) as if he/she were solely entitled thereto; but if more than one joint registered holder is present at the EGM, whether in person or by proxy, the joint registered holder whose name stands first on the register of members in respect of the relevant joint holding shall, to the exclusion of other joint registered holders, be entitled to vote in respect thereof.