KA SHUI INTERNATIONAL HOLDINGS LIMITED
嘉瑞國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 822)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2017	2016	+/(-)
	HK$'000	*HK$'000*	
	(unaudited)	(unaudited)	
RESULTS			
Revenue	**813,087**	753,082	8.0%
Gross profit	**192,219**	136,350	41.0%
Profit attributable to owners of the Company	**21,229**	2,473	758.4%
EBITDA	**90,048**	73,353	22.8%
PER SHARE DATA			
Earnings per share for profit attributable to owners of the Company			
— Basic *(HK cents)*	**2.38**	0.28	750.0%
— Diluted *(HK cents)*	**2.38**	0.20	1,090.0%

The Board of Directors (the "Board") of Ka Shui International Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2017	2016
		HK$'000	*HK$'000*
	Note	**(unaudited)**	(unaudited)
Revenue	*3*	**813,087**	753,082
Cost of sales		**(620,868)**	(616,732)
Gross profit		**192,219**	136,350
Other income	*4*	**10,762**	8,514
Selling and distribution expenses		**(13,907)**	(13,179)
General and administrative expenses		**(142,328)**	(122,788)
Other operating expenses and income		**(522)**	15,551
Profit from operations		**46,224**	24,448
Finance costs	*5*	**(9,144)**	(8,284)
Gain on deemed disposal of subsidiaries		**—**	4,635
Share of loss of associates		**(587)**	(1,580)
Profit before tax		**36,493**	19,219
Income tax expense	*6*	**(14,076)**	(16,973)
Profit for the period	*7*	**22,417**	2,246
Attributable to			
Owners of the Company		**21,229**	2,473
Non-controlling interests		**1,188**	(227)
		22,417	2,246
Earnings per share	*9*		
— Basic *(HK cents)*		**2.38**	0.28
— Diluted *(HK cents)*		**2.38**	0.20

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period	**22,417**	2,246
Other comprehensive income:		
Item that will be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**9,666**	(19,150)
Exchange differences reclassified to profit or loss on deemed disposal of subsidiaries	**—**	(37)
Other comprehensive income for the period, net of tax	**9,666**	(19,187)
Total comprehensive income for the period	**32,083**	(16,941)
Attributable to:		
Owners of the Company	**31,620**	(16,727)
Non-controlling interests	**463**	(214)
	32,083	(16,941)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2017 HK$'000 (unaudited)	As at 31 December 2016 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*10*	**806,965**	834,389
Intangible assets		**718**	718
Investments in associates		**1,090**	1,678
Deposits paid for acquisition of property, plant and equipment		**9,060**	6,635
Deferred tax assets		**335**	373
		818,168	843,793
Current assets			
Inventories		**277,187**	196,162
Trade receivables	*11*	**404,392**	457,414
Prepayments, deposits and other receivables		**81,004**	66,069
Due from associates		**3,659**	2,346
Current tax assets		**—**	2,391
Restricted bank balances		**1,580**	1,564
Bank and cash balances		**255,440**	296,008
		1,023,262	1,021,954
Current liabilities			
Trade payables	*12*	**315,562**	313,088
Deposits received		**83,765**	41,519
Other payables and accruals		**86,084**	87,364
Due to associates		**618**	636
Due to a related company		**811**	2,020
Bank borrowings		**372,056**	458,708
Current tax liabilities		**27,519**	27,537
		886,415	930,872
Net current assets		**136,847**	91,082
Total assets less current liabilities		**955,015**	934,875

	As at 30 June 2017 *HK$'000* (unaudited)	As at 31 December 2016 *HK$'000* (audited)
Non-current liabilities		
Bank borrowings	**119,403**	107,244
Deferred tax liabilities	**40,621**	56,124
	160,024	163,368
NET ASSETS	**794,991**	771,507
Capital and reserves		
Share capital	**89,376**	89,376
Reserves	**696,485**	673,803
Equity attributable to owners of the Company	**785,861**	763,179
Non-controlling interests	**9,130**	8,328
TOTAL EQUITY	**794,991**	771,507

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATION INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 7 January 2005. The address of its registered office is P.O. Box 1350 GT Clifton House, 75 Fort Street, George Town, Grand Cayman, Cayman Islands. The address of its principal place of business is Room A, 29/F, Tower B, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

The Group is principally engaged in the 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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of the Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2016 annual consolidated financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the Group's annual consolidated financial statements for the year ended 31 December 2016.

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2017. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current period and prior years.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted. The Group has not early adopted any new or amended standards that has been issued but is not yet effective. The Group will adopt the new standards and amendments to standards on the respective effective dates.

The Group has the following updates to the information provided in the last annual consolidated financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

(a) HKFRS 9 Financial Instruments

HKFRS 9, effective on or after 1 January 2018, replaces HKAS 39 Financial Instruments: Recognition and Measurement and introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held.

The Group does not expect the new standard to have a significant impact on the classification of its financial assets as the Group does not have any debt instruments which are currently classified as held-to-maturity or available-for-sale financial assets, and the only equity investment is fully impaired. There will be no impact on the Group's accounting for financial liabilities, as the requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group is still in the process of making an assessment of what the impact of this standard is expected to be in the period of initial application. It may result in an earlier recognition of impairment losses for trade receivables and other financial assets measured at amortised costs.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(b) HKFRS 15 Revenue from Contracts with Customers

HKFRS 15, effective on or after 1 January 2018, replaces all existing revenue standards and interpretations. The new standard introduces a 5-step model to recognise revenue.

Based on the preliminary result of assessment, the Group's revenue recognition policy largely follows HKFRS 15. Therefore, the Group does not expect a material impact on the adoption of new HKFRS 15.

(c) HKFRS 16 Leases

HKFRS 16, effective on or after 1 January 2019, replaces HKAS 17 Leases and related interpretations. HKFRS 16 removes the distinction between operating leases and finance leases. Lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets).

The standard will affect mainly the accounting of the Group's leases of warehouses, office equipment and factories, which is currently classified as operating lease. The Group will perform a more detailed assessment in order to determine the new assets and liabilities arising from its operating lease commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

3. REVENUE AND SEGMENT INFORMATION

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

For management purposes, the Group's operation is currently categorised into five (2016: five) operating divisions — zinc, magnesium and aluminium alloy die casting, plastic injection products and components and lighting products. These divisions are the basis of the Group's five reportable segments. The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and different cost measurement.

Segment profits or losses do not include interest income, finance costs, gain or loss from derivative instruments, income tax expense, gain on deemed disposal of subsidiaries, share of loss of associates, corporate income and corporate expenses.

An analysis of the Group's revenue and results for the period by reportable segments is as follows:

	Zinc alloy die casting *HK$'000* **(unaudited)**	**Magnesium alloy die casting** *HK$'000* **(unaudited)**	**Aluminium alloy die casting** *HK$'000* **(unaudited)**	**Plastic injection** *HK$'000* **(unaudited)**	**Lighting Products** *HK$'000* **(unaudited)**	**Total** *HK$'000* **(unaudited)**
For the six months ended 30 June 2017						
Revenue from external customers	**95,212**	**296,730**	**91,223**	**317,889**	**12,033**	**813,087**
Segment profit	**4,055**	**25,650**	**5,446**	**29,341**	**824**	**65,316**

	Zinc alloy die casting *HK$'000* (unaudited)	Magnesium alloy die casting *HK$'000* (unaudited)	Aluminium alloy die casting *HK$'000* (unaudited)	Plastic injection *HK$'000* (unaudited)	Lighting Products *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
For the six months ended 30 June 2016						
Revenue from external customers	118,343	326,581	104,557	191,826	11,775	753,082
Segment profit/(loss)	1,400	11,962	4,800	11,541	(2,234)	27,469

	For the six months ended 30 June	
	2017 *HK$'000* **(unaudited)**	2016 *HK$'000* (unaudited)
Reconciliation of reportable segment profit		
Total profit of reportable segments	**65,316**	27,469
Unallocated amounts:		
Interest income	**184**	285
Gain on financial liabilities at fair value through profit or loss	**—**	15,888
Gain on deemed disposal of subsidiaries	**—**	4,635
Share of loss of associates	**(587)**	(1,580)
Finance costs	**(9,144)**	(8,284)
Corporate income	**80**	26
Corporate expenses	**(19,356)**	(19,220)
Income tax expense	**(14,076)**	(16,973)
Consolidated profit for the period	**22,417**	2,246

4. OTHER INCOME

	For the six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income	**184**	285
Reimbursement from customers	**6,761**	5,151
Others	**3,817**	3,078
	10,762	8,514

5. FINANCE COSTS

	For the six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest expenses on bank borrowings	**9,144**	8,728
Amount capitalised	**—**	(444)
	9,144	8,284

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax — Hong Kong Profits Tax		
Provision for the period	**5,324**	9,215
Current tax — PRC enterprise income tax		
Provision for the period	**8,752**	7,758
	14,076	16,973

Hong Kong Profits Tax has been provided at a rate of 16.5% for the six months ended 30 June 2017 (for the six months ended 30 June 2016: 16.5%) on the estimated assessable profits for the relevant period. Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates based on existing legislation, interpretation and practices in respect thereof.

7. PROFIT FOR THE PERIOD

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

	For the six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**44,411**	45,850
(Gain)/Loss on disposal of property, plant and equipment	**(135)**	76
Property, plant and equipment written off	**824**	5
Interest income	**(184)**	(285)
Gain on financial liabilities at fair value through profit or loss	**—**	(15,888)
(Reversal of allowance)/Allowance for inventories	**(114)**	138

8. DIVIDENDS

	For the six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Dividends paid during the period		
Final dividend for the year ended 31 December 2016: HK1.0 cent per ordinary share (2015: Nil)	**8,938**	—

The board of directors does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2017 and 2016.

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following:

	For the six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**21,229**	2,473
Effect of profit attributable to the non-controlling interest assuming 300 shares of a subsidiary, Katchon Precision Holdings Company Limited were issued to the seller of Goodly Precision Industrial Limited, pursuant to the contingent consideration arrangement of the business combination	**—**	(719)
Profit attributable to owners of the Company, used in the diluted earnings per share calculation	**21,229**	1,754
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	**893,761,400**	893,761,400
Effect of dilutive potential ordinary shares arising from share options	**28,122**	32,122
Weighted average number of ordinary shares used in diluted earnings per share calculation	**893,789,522**	893,793,522

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group had disposed of certain property, plant and equipment with a carrying amount of approximately HK$98,000 (unaudited) (for the year ended 31 December 2016: HK$210,000 (audited)) for proceeds of approximately HK$233,000 (unaudited) (for the year ended 31 December 2016: HK$255,000 (audited)), resulting in a gain on disposal of approximately HK$135,000 (unaudited) (for the year ended 31 December 2016: HK$45,000 (audited)).

The Group had impaired certain property, plant and equipment with a carrying amount of HK$Nil (unaudited) (for the year ended 31 December 2016: HK$1,122,000 (audited)).

The Group had written off certain property, plant and equipment with a carrying amount of approximately HK$824,000 (unaudited) (for the year ended 31 December 2016: HK$4,515,000 (audited)).

In addition, the Group acquired property, plant and equipment of approximately HK$10,008,000 (unaudited) (for the year ended 31 December 2016: HK$36,977,000 (audited)).

11. TRADE RECEIVABLES

The Group normally allows credit terms to customers ranging from 30 to 120 days (31 December 2016: 30 to 120 days) after end of the month in which the invoices have been issued. The ageing analysis of trade receivables as at 30 June 2017, based on the invoice date, and net of allowance, is as follows:

	As at 30 June 2017 *HK$'000* **(unaudited)**	As at 31 December 2016 *HK$'000* (audited)
0 to 30 days	**210,487**	147,131
31 to 60 days	**54,705**	145,047
61 to 90 days	**55,175**	63,980
91 to 180 days	**82,767**	93,794
Over 180 days	**1,258**	7,462
	404,392	457,414

12. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days (31 December 2016: 30 to 90 days) from its suppliers. The ageing analysis of trade payables as at 30 June 2017, based on the date of receipt of goods, is as follows:

	As at 30 June 2017 *HK$'000* **(unaudited)**	As at 31 December 2016 *HK$'000* (audited)
0 to 30 days	**158,308**	66,692
31 to 60 days	**6,240**	66,520
61 to 90 days	**65,692**	64,974
91 to 180 days	**76,570**	103,265
Over 180 days	**8,752**	11,637
	315,562	313,088

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Overview

Over the first half of 2017 (the "Period"), the global economy was slightly recovered. The general shipments of smartphones in the first quarter of 2017 had experienced a year-on-year ("YOY") increase of approximately 4.3%, totalled to 347.4 million units led by the launch of new models by the major brands according to International Data Corporation ("IDC"). On the other hand, the worldwide shipment of overall personal computers (including notebooks and ultrabooks) had a YOY decline of approximately 2.1%, amounted to 120.6 million units in the first half of 2017. In spite of the unstable market situation, the Group managed to achieve reasonable growth in both revenue and profits with stable flow of orders provided by its diversified customer base and product portfolio. Being one of the top suppliers to segments such as 3C, automobile, healthcare and household items, the Group had strived to become a one-stop solution provider for its diverse customers by offering a broad selection of products and materials such as magnesium alloy, aluminium alloy, zinc alloy and plastic. Continuous improvement in both of its functionality and quality of its products also increased the loyalty of the Group's customers.

During the Period, the Group recorded revenue of HK$813,087,000 (2016 first half: HK$753,082,000), presenting a YOY growth of approximately 8.0%. There was also an increase of approximately 5.5% in gross profit margin to 23.6% (2016 first half: 18.1%). Due to increase in revenue and gross profit in the first half of 2017, profit attributable to owners of the Company was HK$21,229,000 (2016 first half: HK$2,473,000), showing a substantial growth of approximately 758.4% when compared with the corresponding period of 2016.

On 12 July 2017, the disposal of the entire equity interest of MG Technology (Shenzhen) Company Limited ("MG Technology"), the Group's subsidiary, was completed. MG Technology then ceased to be a subsidiary of the Group. Through the integration of the production lines, facilities and other resources in Huizhou and Shenzhen in the PRC, the Group's operating costs could be further reduced by taking advantage of less overall logistics activities. In addition, the consolidation of production lines also enabled the Group to boost its overall operational efficiency, and to optimise the utilisation of the facilities.

Leveraging on its innovative solution, diverse product portfolio and customers base, the Group is confident that steady and continual growth can be maintained. The Group remains cautiously optimistic towards its upcoming development and will continue to stay competitive and excel to widen its profit margins.

(B) Financial Review

The Group's revenue for the six months ended 30 June 2017 recorded a 8.0% increase to HK$813,087,000 (2016 first half: HK$753,082,000), as compared with the corresponding period in 2016. Benefitting from the flourishing demand for mobile device accessories and other plastic products, the sales revenue from plastic injection moulding business achieved an increase of 65.7% during the first half of the year and sales increased in this business segment had more than compensated the sales decreased in the zinc alloy, magnesium alloy and aluminium alloy die casting business segments.

Due to the growth in the Group's overall revenue, the gross profit for the first half of 2017 increased by 41.0% to HK$192,219,000 (2016 first half: HK$136,350,000). The overall gross profit margin also raised from 18.1% in 2016 first half to 23.6%. As a result, profit attributable to owners of the Company increased significantly by 758.4% to HK$21,229,000 (2016 first half: HK$2,473,000) and the Group's EBITDA, computed as profit before tax, depreciation, amortisation of intangible assets and finance costs, amounted to HK$90,048,000 (2016 first half: HK$73,353,000).

(C) Business Review

Plastic injection moulding business

Being benefitted from the satisfactory sales performance of new mobile models launched in the first half of 2017 and certain plastic components, the revenue of plastic injection moulding business had significantly increased by 65.7% to HK$317,889,000 (2016 first half: HK$191,826,000) as compared with the previous corresponding period. This business segment contributed 39.1% (2016 first half: 25.5%) to the Group's total revenue. In view of the launch of new smartphone model in the second half of the year, it is expected that the demand for smartphone accessories will continue to increase.

Magnesium alloy die casting business

Given the overall market condition for the notebook computer industry, the revenue form magnesium alloy die casting business decreased by 9.1% to HK$296,730,000 (2016 first half: HK$326,581,000), accounting for 36.5% (2016 first half: 43.4%) of the Group's revenue. It is expected that the demand for light weight ultrabook or notebook computer will continue to dominate the market in coming years. In order to capture a larger market share in notebook or ultrabook casing segment, the Group will endeavor to expand its customer portfolio and product offering in this sector. Furthermore, the Group has been exploring different applications of magnesium alloy such as consumer products and automotive components.

Zinc alloy die casting business

During the period under review, the revenue of zinc alloy die casting business decreased by 19.5% to HK$95,212,000 (2016 first half: HK$118,343,000) as compared with the same period last year, accounting for 11.7% (2016 first half: 15.7%) of the Group's overall revenue.

Aluminium alloy die casting business

For the six months ended 30 June 2017, the revenue of aluminium alloy die casting business decreased by 12.8% to HK$91,223,000 (2016 first half: HK$104,557,000), which accounted for 11.2% of the Group's overall revenue (2016 first half: 13.9%).

Lighting products

During the period under review, the revenue of lighting products business increased by 2.2% to HK$12,033,000 (2016 first half: HK$11,775,000) as compared with the same period last year, accounting for 1.5% (2016 first half: 1.6%) of the Group's overall revenue.

(D) Prospects

The recovering global economy is shadowed by uncertainties and the Group expects the environments in the coming year will remain challenging yet with opportunities to be seized. The Group is confident towards the future development of its business segments and will endeavor to refine its products mix in order to bring continuous improvement and value adding services to its customers and retain its leading market position.

The worldwide shipping volume of lightweight ultrabook is expected to be bolstered by the demand and the long-awaited replacement cycle from the commercial markets; it is forecasted that positive growth will be resumed in 2019 and moderate growth can be achieved in the coming years. Being one of the leading magnesium alloy notebook casing suppliers to the world's renowned PC brands, the Group strongly believes that under the consistent launch of new models, regional expansion strategies and sustainable developments of customers, the amount of orders will remain stable in the near future. More importantly, in order to prepare and capture the growth in 2019, the Group will continue to upgrade its technology in order to enhance the functionality and quality of the products and with a view to provide better solutions to its customers. In addition, the Group will also continue to expand its customer portfolio and broaden the application of metals and plastics in order to enhance the diversity of product portfolio and create values for customers.

In the past few years, the Chinese government has been vigorously promoting environmental protection through launching various policies and regulations and the manufacturing and sales of light weight vehicle are subsequently encouraged. The light weight and durable nature of metal alloy shows potential to become one of the major components for constructing light weight vehicles, therefore, the Group has been developing the automobile supply chain or client base and actively seeking for collaborative opportunities. At the same time, in order to cater various needs of customers, the Group is also investing in technology and application research for new materials. With all the above-mentioned plans and executions, the Group stays positive for the development and growth of the magnesium alloy die casting business in the coming year.

Plastic injection business, another growth driver for the Group, is also expected to obtain sustainable growth in the coming year. With the improving economic condition and the new shipment from a few leading brands of mobile devices starting from the second quarter of 2017, the worldwide smartphone shipment of 2017 is expected to grow by approximately 3% to 1.52 billion units. In light of the favourable market conditions, the Group is confident that the demand for plastic mobile device accessories and other value added plastic solutions will be good and may provide the Group with steady flow of orders. In order to cater for the versatile demand from customers, the Group has been dedicated to improve product design in order to provide durable, convenient and fashionable products that are in line with the market expectations through new materials research, innovation and customer solution. On the other hand, the Group has developed the germ-repellent polyethylene resins in collaboration with a research organisation and was awarded the Gold Medal in the 45th International Exhibition of Inventions, held in March 2017 in Geneva, Switzerland. This award well recognises the research and innovation capability of the Group and this enables the Group to provide innovative and practical solutions to broaden its customer portfolio.

Besides, the Group continues to devote the promotion of operational efficiency and core competitiveness. To achieve these goals, the Group has been working towards the direction of Industry 4.0 with "smarter factory" including management intelligence and digitisation of information. The initiative may also bring sustainable growth by improving productivity and record tracking as it encourages staff to develop managerial and technical skills in manufacturing innovation and to improve operational efficiency. To facilitate the process, the Group has been working with a group of German experts and Hong Kong Productivity Council.

Looking into the future, the Group will remain focus on the theme of "Integrating Resources, Pursuing Excellence" by exploring collaboration opportunities in the market and make technological progression across various business segments in order to optimise its resources and therefore improve efficiency. The Group will incessantly strengthen its core competitiveness and retain its current market position through product enhancement and customer expansion for stronger order flows and profitability. Leveraging on years of experience and well-established relationship with its customers, the Group is cautiously optimistic towards its performance in the upcoming years and prepared for the challenges under such volatile economic environment.

(E) Liquidity and Financial Resources

The principal sources of working capital of the Group during the period under review were cash flows from bank borrowings. As at 30 June 2017, the Group had restricted bank balances as well as bank and cash balances of approximately HK$257,020,000 (31 December 2016: HK$297,572,000), most of which were either denominated in US dollars, Renminbi or Hong Kong dollars.

As at 30 June 2017, the Group had bank borrowings of approximately HK$491,459,000 (31 December 2016: HK$565,952,000) in which HK$372,056,000 (31 December 2016: HK$458,708,000) was repayable within one year and HK$119,403,000 (31 December 2016: HK$107,244,000) was repayable more than one year. Most of the borrowings were denominated in Hong Kong dollars or US dollars to which the interest rates applied were primarily subject to floating interest rate.

As at 30 June 2017, the net gearing ratio (a ratio of the sum of total interest-bearing borrowings less restricted bank balances and bank and cash balances then divided by total equity) of the Group was approximately 29.5% (31 December 2016: 34.8%).

As at 30 June 2017, the net current assets of the Group were approximately HK$136,847,000 (31 December 2016: HK$91,082,000), which consisted of current assets of approximately HK$1,023,262,000 (31 December 2016: HK$1,021,954,000) and current liabilities of approximately HK$886,415,000 (31 December 2016: HK$930,872,000), representing a current ratio of approximately 1.2 (31 December 2016: 1.1).

(F) Exposure to Foreign Exchange Risk

Most of the Group's transactions were conducted in US dollars, Hong Kong dollars or Renminbi. As such, the Group is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between US dollars, Renminbi and Hong Kong dollars. The Group will closely monitor its overall foreign exchange exposure with a view to safeguarding the Group from exchange rate risks.

(G) Contingent Liabilities

As at 30 June 2017, the Group had no material contingent liabilities.

(H) Charge on Assets

As at 30 June 2017, the Group's banking facilities were secured by the guarantees of a property situated in Hong Kong owned by the Group.

(I) Human Resources

As at 30 June 2017, the Group had approximately 5,800 full-time employees (31 December 2016: 5,400). The Group attributes its success to the hard work and dedication of its staff as a whole, therefore, they are deemed to be the most valuable assets of the Group. In order to attract and retain high caliber staff, the Group provides competitive salary package, including retirement scheme, medical benefit and bonus. The Group's remuneration policy and structure is determined based on market trends, the performance of individual staff as well as the financial performance of the Group. The Group has also adopted a share option scheme and a share award scheme as incentive and reward for those qualifying staff who have made contribution to the Group.

The Group provides regular training courses for different level of staff and holds various training programs together with PRC institutes and external training bodies. Apart from academic and technical training, the Group also organises different kinds of recreational activities, including New Year gathering, various sport competitions and interest groups. The aim is to promote interaction among staff, establish harmonious team spirit and promote healthy lifestyle.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period under review.

AUDIT COMMITTEE

The Company established the Audit Committee in June 2007. The primary duties of the Audit Committee are to review the Company's financial reports, make recommendations on the appointment, removal and remuneration of independent auditor, approve audit and audit-related services, supervise the Company's internal financial reporting procedures and management policies, and review the Company's risk management and internal control systems as well as the internal audit function. The Audit Committee comprises four independent non-executive directors, namely Mr. Kong Kai Chuen, Frankie, Professor Sun Kai Lit, Cliff *BBS, JP*, Ir Dr. Lo Wai Kwok *SBS, MH, JP* and Mr. Andrew Look and is chaired by Mr. Kong Kai Chuen, Frankie, a qualified accountant with extensive experience in financial reporting and controls.

NOMINATION COMMITTEE

The Nomination Committee was set up in June 2007 and is mainly responsible for reviewing the structure, size and the composition of the Board and making recommendations on any proposed change to the Board to complement the Company's corporate strategy; assessing the independence of independent non-executive directors; making recommendations to the Board on the appointment of directors and succession planning for directors. The members of the Nomination Committee are Professor Sun Kai Lit, Cliff *BBS, JP*, Ir Dr. Lo Wai Kwok *SBS, MH, JP*, Mr. Andrew Look, Mr. Kong Kai Chuen, Frankie and Dr. Wong Cheong Yiu. Professor Sun Kai Lit, Cliff *BBS, JP* is the Chairman of the Nomination Committee.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in June 2007. The major duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for the remuneration of directors and senior management. It also reviews and determines the terms of remuneration packages, the award of bonuses and other compensation payable to individual directors and senior management with reference to the Board's corporate goals and objectives. The Remuneration Committee consists of Professor Sun Kai Lit, Cliff *BBS, JP*, Ir Dr. Lo Wai Kwok *SBS, MH, JP*, Mr. Andrew Look, Mr. Kong Kai Chuen, Frankie and Dr. Wong Cheong Yiu. The Chairman of the Remuneration Committee is Professor Sun Kai Lit, Cliff *BBS, JP*, an independent non-executive director.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, all directors have confirmed that they have fully complied with the required standard set out in the Model Code during the period under review.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend our sincere appreciation to our customers, suppliers and shareholders for their continuing support, and our management and staff for their dedication and contribution to the Group throughout the period.

By Order of the Board
Ka Shui International Holdings Limited
Lee Yuen Fat
Chairman

Hong Kong, 28 August 2017

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Lee Yuen Fat, Mr. Wong Wing Chuen and Dr. Wong Cheong Yiu, and four independent non-executive directors, namely Professor Sun Kai Lit, Cliff BBS, JP, Ir Dr. Lo Wai Kwok SBS, MH, JP, Mr. Andrew Look and Mr. Kong Kai Chuen, Frankie.