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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 822)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2017	2016	+/(-)
	HK$'000	*HK$'000*	
RESULTS			
Revenue	**1,738,738**	1,742,476	(0.2%)
Gross profit	**309,769**	391,732	(20.9%)
Profit attributable to owners of the Company	**33,998**	59,243	(42.6%)
EBITDA	**185,282**	214,143	(13.5%)
PER SHARE DATA			
Earnings per share for profit attributable to owners of the Company			
— Basic *(HK cents)*	**3.80**	6.63	(42.7%)
— Diluted *(HK cents)*	**3.80**	6.55	(42.0%)
Dividends per share			
— Interim *(HK cent)*	**–**	–	–
— Final *(HK cent)*	**1.0**	1.0	–
— Full Year *(HK cent)*	**1.0**	1.0	–

FINANCIAL RESULTS

The Board of Directors (the "**Board**") of Ka Shui International Holdings Limited (the "**Company**") is pleased to announce the audited final results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 December	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**1,738,738**	1,742,476
Cost of sales		**(1,428,969)**	(1,350,744)
Gross profit		**309,769**	391,732
Other income	*5*	**16,670**	25,677
Selling and distribution expenses		**(30,465)**	(29,318)
General and administrative expenses		**(271,500)**	(262,526)
Other operating expenses and income		**(22,052)**	(3,157)
Profit from operations		**2,422**	122,408
Finance costs	*6*	**(16,115)**	(17,489)
Gain on disposal of a subsidiary		**96,011**	–
Gain on deemed disposal of subsidiaries		**–**	4,635
Share of loss of associates		**(325)**	(3,400)
Profit before tax		**81,993**	106,154
Income tax expense	*7*	**(45,862)**	(46,252)
Profit for the year		**36,131**	59,902
Attributable to			
Owners of the Company		**33,998**	59,243
Non-controlling interests		**2,133**	659
		36,131	59,902
Earnings per share	*9*		
— Basic *(HK cents)*		**3.80**	6.63
— Diluted *(HK cents)*		**3.80**	6.55

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**36,131**	59,902
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Surplus on revaluation of leasehold land	**15,017**	45,146
Income tax on items that will not be reclassified to profit or loss	**(1,576)**	(8,184)
	13,441	36,962
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	**48,061**	(62,402)
Share on translation reserve of associates	**(16)**	–
Exchange differences reclassified to profit or loss on deemed disposal of foreign operations	**–**	(37)
Exchange differences reclassified to profit or loss on disposal of a foreign operation	**6,118**	–
	54,163	(62,439)
Other comprehensive income for the year, net of tax	**67,604**	(25,477)
Total comprehensive income for the year	**103,735**	34,425
Attributable to		
Owners of the Company	**97,081**	34,248
Non-controlling interests	**6,654**	177
	103,735	34,425

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**770,592**	834,389
Club membership		**718**	718
Investments in associates		**1,336**	1,678
Available-for-sale financial assets		**–**	–
Deposits paid for acquisition of property, plant and equipment		**10,569**	6,635
Deferred tax assets		**310**	373
		783,525	843,793
Current assets			
Inventories		**252,406**	196,162
Trade receivables	*10*	**415,392**	457,414
Prepayments, deposits and other receivables		**69,545**	66,069
Due from associates		**–**	2,346
Current tax assets		**–**	2,391
Restricted bank balances		**3,234**	1,564
Bank and cash balances		**243,994**	296,008
		984,571	1,021,954
Current liabilities			
Trade payables	*11*	**367,394**	313,088
Deposits received		**12,615**	41,519
Other payables and accruals		**83,069**	87,364
Due to associates		**617**	636
Due to a related company		**4,465**	2,020
Bank borrowings		**326,611**	458,708
Current tax liabilities		**31,253**	27,537
		826,024	930,872
Net current assets		**158,547**	91,082
Total assets less current liabilities		**942,072**	934,875

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Non-current liabilities		
Bank borrowings	**41,667**	107,244
Deferred tax liabilities	**33,762**	56,124
	75,429	163,368
NET ASSETS	**866,643**	771,507
Capital and reserves		
Share capital	**89,376**	89,376
Reserves	**761,946**	673,803
Equity attributable to owners of the Company	**851,322**	763,179
Non-controlling interests	**15,321**	8,328
TOTAL EQUITY	**866,643**	771,507

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350 GT, 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 Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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.

In the opinion of the directors of the Company, as at 31 December 2017, Precisefull Limited, a company incorporated in the British Virgin Islands, is the ultimate parent and Mr. Lee Yuen Fat is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

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

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

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2017. Of these, the following new or revised HKFRSs are relevant to the Group:

Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 16 Leases	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have an impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

(i) Classification and measurement

The Group expects to irrevocably designate those unlisted equity securities currently classified as available-for-sale as at fair value through other comprehensive income.

Fair value gains and losses on these instruments will no longer be recycled to profit or loss on disposal. Impairment losses on equity securities will no longer be recognised in profit or loss but rather in other comprehensive income. In addition, the Group currently measures certain unlisted equity securities at cost less impairment. Under HKFRS 9 these instruments will be measured at fair value. The Group expected that such change will not have significant impact to the consolidated financial statements since the available-for-sale investment has been fully impaired due to the fact that the investee has already ceased business.

(ii) Impairment

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects to apply the simplified approach and record lifetime expected credit losses on all trade and other receivables. The lifetime expected credit losses is estimated based on the historical default rate and forward-looking estimates. According to a preliminary assessment, the impact of the adoption of HKFRS 9 to the consolidated financial statements is immaterial.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(i) Timing of revenue recognition

Currently, revenue from the sale of manufactured goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies three situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; and

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

For contracts with customers in which the sale of manufactured goods is generally expected to be the only performance obligation, adoption of HKFRS 15 is not expected to have any impact on the Group's revenue or profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(ii) Warranty obligations

The Group generally provides for warranties for repairs to any defective products and does not provide extended warranties in its contracts with customers. As such, most existing warranties will be assurance-type warranties under HKFRS 15, which will continue to be accounted for under HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its current practice.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and 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). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's leases of office premises, factories, warehouses, staff quarters and office equipment are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its office premises, factories, warehouses, staff quarters and office equipment amounted to HK$16,728,000 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

4. REVENUE AND SEGMENT INFORMATION

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

For management purposes, the Group's operation is currently categorised into six (2016: five) operating divisions — zinc, magnesium, aluminium alloy die casting, plastic injection products and components, as well as trading of lighting products and home appliances. 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.

The Group's other operating segments include trading of lighting products and home appliances. None of these segments meet any of the quantitative thresholds for determining reportable segments. The information of these other operating segments is included in the "Others" column.

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

Information about the reportable segment profit or loss is as follows:

	Zinc alloy die casting *HK$'000*	**Magnesium alloy die casting** *HK$'000*	**Aluminium alloy die casting** *HK$'000*	**Plastic injection** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Year ended 31 December 2017						
Revenue from external customers	**203,685**	**588,843**	**201,928**	**712,210**	**32,072**	**1,738,738**
Segment profit/(loss)	**6,476**	**(24,566)**	**2,149**	**41,362**	**(3,110)**	**22,311**
Depreciation and amortisation	**5,297**	**33,970**	**6,319**	**39,576**	**277**	**85,439**
Restructuring expenses *(note)*	**–**	**25,696**	**–**	**–**	**–**	**25,696**
Impairment loss on property, plant and equipment	**–**	**8,752**	**–**	**–**	**–**	**8,752**

	Zinc alloy die casting *HK$'000*	Magnesium alloy die casting *HK$'000*	Aluminium alloy die casting *HK$'000*	Plastic injection *HK$'000*	Lighting products *HK$'000*	Total *HK$'000*
Year ended 31 December 2016						
Revenue from external customers	230,614	691,194	195,763	601,267	23,638	1,742,476
Segment profit/(loss)	16,737	30,377	5,404	78,663	(11,005)	120,176
Depreciation and amortisation	8,538	38,717	7,969	33,730	190	89,144

Note: The amount was included in general and administrative expenses which is one-off in nature.

Reconciliation of reportable segment revenue, profit or loss:

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**1,738,738**	1,742,476
Unallocated amounts	**–**	–
Consolidated revenue	**1,738,738**	1,742,476

	2017	2016
	HK$'000	*HK$'000*
Profit or loss		
Total profit of reportable segments	**22,311**	120,176
Unallocated amounts:		
Gain on deemed disposal of subsidiaries	**–**	4,635
Gain on disposal of a subsidiary	**96,011**	–
Share of loss of associates	**(325)**	(3,400)
Interest income	**354**	868
Gain on financial liabilities at fair value through profit or loss	**–**	14,767
Finance costs	**(16,115)**	(17,489)
Income tax expense	**(45,862)**	(46,252)
Corporate income	**86**	9,262
Corporate expenses	**(20,329)**	(22,665)
Consolidated profit for the year	**36,131**	59,902

	2017	2016
	HK$'000	*HK$'000*
Other material items — depreciation and amortisation		
Total depreciation and amortisation of reportable segments	**85,439**	89,144
Unallocated amounts:		
Depreciation of property, plant and equipment for corporate use	**1,735**	1,356
Consolidated depreciation and amortisation	**87,174**	90,500

Geographical information:

Revenue

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**264,145**	307,492
People's Republic of China (the "**PRC**") except Hong Kong	**705,186**	822,741
Japan	**34,891**	23,063
The United States of America	**587,384**	472,291
Others	**147,132**	116,889
Consolidated total	**1,738,738**	1,742,476

In presenting the geographical information, revenue is based on the locations of the customers.

The Group's non-current assets by geographical areas are not presented as the amount of the geographical segments other than the PRC is less than 10% (2016: less than 10%) of the aggregate amount of all segments.

Revenue from major customers:

	2017	2016
	HK$'000	*HK$'000*
Zinc alloy die casting segment		
Customer a	**103,742**	117,678
Customer b	**39,066**	55,394
Customer c	**2,367**	4,518
Magnesium alloy die casting segment		
Customer c	**87,378**	256,053
Customer e	**253,514**	144,177
Aluminium alloy die casting segment		
Customer a	**114,663**	110,367
Customer e	**2,265**	7,814
Customer c	**–**	145
Plastic injection segment		
Customer b	**106,196**	115,718
Customer a	**1,177**	1,120
Customer d	**518,229**	408,833

5. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Exchange difference	**–**	9,095
Interest income on bank deposits	**354**	868
Rental income	**140**	789
Reimbursement from customers	**9,955**	8,023
Sales of scrap materials	**1,565**	615
Government grants	**3,260**	3,967
Others	**1,396**	2,320
	16,670	25,677

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest expenses on bank borrowings	**16,115**	17,933
Amount capitalised	**–**	(444)
	16,115	17,489

7. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**16,936**	7,653
Under/(Over) provision in prior years	**294**	(1,723)
Current tax — income tax outside Hong Kong		
Provision for the year	**11,435**	14,770
Capital gain tax arising from disposal of a subsidiary	**13,727**	–
Withholding tax arising from dividend payment of a disposed subsidiary	**3,118**	–
Under/(Over) provision in prior years	**265**	(833)
Deferred tax	**87**	26,385
Income tax expense	**45,862**	46,252

Hong Kong Profits Tax has been provided at a rate of 16.5% (2016: 16.5%) on the estimated assessable profits of Hong Kong incorporated subsidiaries for the year ended 31 December 2017.

Under the PRC Enterprise Income Tax (the "**EIT**") law, the statutory tax rate for the Group's subsidiaries established and operating in Mainland China is 25% (2016: 25%). One of the Group's subsidiaries has been recognised as a "New and High Technology Enterprise" in the PRC for the year ended 31 December 2016 and was therefore subject to a preferential tax rate of 15% for that year.

Income tax on overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing on the overseas countries in which the Group operates.

According to the PRC EIT Law, withholding tax at a rate of 10% would be imposed on dividend payment relating to profits earned from year 2008 onwards to foreign investors for the companies established in the PRC. Such tax rate may be further reduced by applicable tax treaties or arrangements.

Capital gain tax of the PRC was charged at a withholding tax rate of 10% based on the surplus of the sales proceed from the disposal of a subsidiary over the investment cost of that subsidiary.

8. DIVIDENDS

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2017 of HK1.0 cent (2016: HK1.0 cent) per share has been proposed by the Board and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

9. EARNINGS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit attributable to the owners of the Company, used in the basic earnings per share calculation	**33,998**	59,243
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	**–**	(664)
Profit attributable to owners of the Company, used in the diluted earnings per share calculation	**33,998**	58,579
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	**27,931**	30,353
Weighted average number of ordinary shares used in diluted earnings per share calculation	**893,789,331**	893,791,753

10. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 120 days (2016: 30 to 120 days) after the end of the month in which the invoices have been issued. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors. The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is stated as follows:

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**173,319**	147,131
31 to 60 days	**108,282**	145,047
61 to 90 days	**46,714**	63,980
91 to 180 days	**86,705**	93,794
Over 180 days	**372**	7,462
	415,392	457,414

11. TRADE PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**102,808**	66,692
31 to 60 days	**85,317**	66,520
61 to 90 days	**69,284**	64,974
91 to 180 days	**104,211**	103,265
Over 180 days	**5,774**	11,637
	367,394	313,088

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Financial Review

For the year ended 31 December 2017, the Group's overall revenue slightly decreased by approximately 0.2% to HK1,738,738,000 (2016: HK$1,742,476,000) when compared with last year. The decrease in overall revenue was primarily attributable to the less favourable market conditions in the notebook computer industry, which affected the Group's magnesium alloy die casting business. As a result, the Group's overall gross profit margin decreased from 22.5% in 2016 to 17.8%.

Primarily due to an increase in the cost of sales, the appreciation of Renminbi against the United States Dollar, and the one-off general and administration expenses incurred in the overall integration of the Group's production facilities, the Group's profitability was adversely affected. However, despite of the aforementioned, profit attributable to owners of the Company was HK$33,998,000 (2016: HK$59,243,000) as the Group completed the disposal of the entire equity interest of MG Technology (Shenzhen) Company Limited ("**the Disposal**"), the Group's former subsidiary, in July 2017 with a gain on the Disposal in the amount of HK$96,011,000. During the year under review, the Group recorded income tax expenses of HK$16,845,000 related to the Disposal. As a result, the Group's adjusted loss for the year ended 31 December 2017 was HK$17,339,000 (computed as profit for the year of HK$36,131,000 (2016: HK$59,902,000) less gain on the Disposal of HK$96,011,000 and add (i) capital gain tax arising from the Disposal of HK$13,727,000; (ii) withholding tax arising from dividend payment of a disposed subsidiary of HK$3,118,000; and (iii) the one-off general and administration expenses incurred in the overall integration of the Group's production facilities of HK$25,696,000). The Group's EBITDA, computed as profit before tax, depreciation, amortisation of intangible assets and finance costs, amounted to HK$185,282,000 (2016: HK$214,143,000).

(B) Business Review

Magnesium alloy die casting business

As a result of the slowdown in the global shipment of notebook computers primarily, the revenue of the magnesium alloy die casting business for the year ended 31 December 2017 decreased by approximately 14.8% to HK$588,843,000 (2016: HK$691,194,000), accounting for approximately 33.9% of the Group's overall revenue (2016: 39.7%). Apart from notebook computer casings, the Group will continue to explore additional applications of magnesium alloy especially in the automotive component industry with a view to enlarge its market share and to expand its customer base.

Plastic injection moulding business

Benefitting from the flourishing demand of new mobile devices in 2017 and a stable growth of plastic automotive parts, the revenue of this business segment had recorded an increase of approximately 18.5% to HK$712,210,000 (2016: HK$601,267,000), which accounted for approximately 41.0% (2016: 34.5%) of the Group's overall revenue. In order to capture the potential growth for plastic injection products and components, the Group is committed to focus on the research and development of new production technology to further enhance its product quality and application.

Zinc alloy die casting business

For the year ended 31 December 2017, the revenue of the zinc alloy die casting business was HK$203,685,000 (2016: HK$230,614,000), representing a decrease of approximately 11.7% when compared with that of 2016. This business segment accounted for approximately 11.7% of the Group's overall revenue (2016: 13.2%). It is expected that the zinc alloy die casting business will continue to act as a stable revenue contributor for the Group in the coming year.

Aluminium alloy die casting business

During the year under review, the revenue of the aluminium alloy die casting business slightly increased by approximately 3.1% to HK$201,928,000 (2016: HK$195,763,000) when compared with that of the previous year. The segment's contribution to the Group's overall revenue had also grown from approximately 11.2% in 2016 to approximately 11.6% in 2017.

Others

The revenue of the others business increased by approximately 35.7% to HK$32,072,000 (2016: HK$23,638,000) during the year. The increase was primarily derived from the sale of LED lighting products to customers in the United States.

(C) Prospects

Looking ahead, it is expected that the business environment will continue to be challenging for the Group in 2018 due to possible trade conflict with the United States, the exchange rate fluctuation as well as the increase of cost of sales. Under such environment, the Group will place high priority on product diversification, increasing operational efficiency and liaison with customers in order to strengthen its resilience to cope with different economic cycles.

In 2018, it is expected that the global traditional computer shipment will continue to decrease whereas the shipments for premium ultra-mobile device will surge by 18.6% and reach 70 million units according to a research by Gartner Inc.. Being one of the core suppliers of magnesium alloy notebook casing to the world-renowned computer brands, the Group is positive towards a stable order book of its magnesium alloy die casting segment in 2018. The Group will continue its exploration in the technical applications of rare-earth alloy and other new materials, with the aim to produce thinner, lighter and more durable products to support its customers' new product designs.

As one of the leaders in alloy die casting industry, the Group has devoted itself to innovations on material and technology and product application extension over the years. With the agreement for the set up of the Light Alloy Innovation Centre signed in November 2017, the Group will further consolidate market resources and expertise to develop a more comprehensive and efficient supply chain for light alloy and promote new material and technology development, with wider applications and better equipment to expand business opportunities. In the first phase, the Group will promote the application of light alloy to the industry through the Light Alloy Innovation Centre, aiming to lay a stronger foundation for the industry upgrade and transformation in new materials, green manufacturing, application of automation and service-driven development in the future.

For the plastic injection segment, the Group continues to supply 3C accessories, personal care and automotive parts to the renowned brands in the market and holds good hope in achieving satisfactory results in 2018. According to Gartner Inc., the global shipment of smartphones is expected to grow by 2.6% with the total amounting to 1.9 billion units in 2018. It is expected that the demand for plastic mobile device accessories will rise accordingly. In response to the promising market, the Group will continue to upgrade product designs and provide value-adding solutions to stay competitive in the market. On the other hand, the Group will carry on advancing its technologies in precision moulding and injection materials in order to seize more orders for automotive parts and deepen its penetration into the automobile sector.

In terms of operational efficiency, the completion of production lines relocation to the Group's integrated technology park in Huizhou is expected to reduce production lead time, shorten production lifecycle, reduce transportation and storage costs as well as labour costs and administration costs, hence improving the Group's operational efficiency. The Group will continue to adopt stringent cost control measures and increase automation in production in order to remain cost-effective in all divisions. Further investment in automation, real time data and management intelligence will empower smarter facilities towards "Industry 4.0". In particular, the new phase of the Group's technology park in Huizhou is planned to include a smart model manufacturing base.

With its over 35 years of experience and expertise in the die casting and plastic injection moulding industry and its continuous pursuit of raw material, technology as well as product innovations, the Group is ready to embrace the challenges and opportunities brought forth by the industry upgrade and transformation, with the aim of achieving a sustainable development, as well as bringing fruitful returns for the Company's shareholders.

(D) Liquidity and Financial Resources

As at 31 December 2017, the Group had restricted bank balances as well as bank and cash balances of approximately HK$247,228,000 (2016: HK$297,572,000), most of which were denominated in either US dollars, Renminbi or Hong Kong dollars.

The total interest-bearing borrowings of the Group as at 31 December 2017 were all bank loans of approximately HK$368,278,000 (2016: HK$565,952,000). All of these borrowings were either denominated in Renminbi or Hong Kong dollars (2016: US dollars, Renminbi or Hong Kong dollars) to which the interest rates applied were primarily subject to floating interest rate. The bank borrowings with maturities falling due within one year, in the second to fifth year with repayment on demand clause and in the second to the fifth year without repayment on demand clause amounted to HK$245,364,000, HK$81,247,000 and HK$41,667,000 respectively (2016: HK$413,763,000, HK$44,945,000 and HK$107,244,000 respectively).

As at 31 December 2017, the net gearing ratio (a ratio of the sum of the total bank borrowings less the pledged bank deposits, restricted bank balances (if any) and bank and cash balances divided by the total equity) of the Group was approximately 14.0% (2016: 34.8%).

As at 31 December 2017, the net current assets of the Group were approximately HK$158,547,000 (2016: HK$91,082,000), which consisted of current assets of approximately HK$984,571,000 (2016: HK$1,021,954,000) and current liabilities of approximately HK$826,024,000 (2016: HK$930,872,000), representing a current ratio of approximately 1.2 (2016: 1.1).

(E) Exposure to Foreign Exchange Risk

Most of the Group's transactions were conducted in US dollars, Hong Kong dollars or Renminbi. As such, the Group is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between US dollars, 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.

(F) Contingent Liabilities

As at 31 December 2017, the Group had no material contingent liabilities.

(G) Charge on Assets

As at 31 December 2017, the Group's banking facilities were secured by guarantees given by the following assets: (a) all monies assignment of rental over the property situated in Hong Kong owned by the Group; (b) a property situated in Hong Kong owned by the Group; and (c) corporate guarantees provided by the Company and certain subsidiaries of the Group.

(H) Human Resources

As at 31 December 2017, the Group had approximately 4,600 full-time employees (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 a competitive salary package, including a retirement scheme, medical benefits and bonuses. The Group's remuneration policy and structure are 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 incentives and rewards for those qualifying staff who have made contributions 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 sports competitions and interest groups. The aim is to promote interaction among staff, establish a harmonious team spirit and promote a healthy lifestyle.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK1.0 cent per share for the year ended 31 December 2017 to the shareholders whose names appear on the register of members of the Company on Friday, 8 June 2018. Subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on Monday, 28 May 2018, the final dividend will be paid on or about Friday, 15 June 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 23 May 2018 to Monday, 28 May 2018, both days inclusive, during which no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all share transfer documents accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 21 May 2018.

The register of members will be closed from Tuesday, 5 June 2018 to Friday, 8 June 2018, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the final dividend, all share transfer documents accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 4 June 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 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 year 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 the 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 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 on the appointment of directors to the Board and succession planning for directors. The members of the Nomination Committee include 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*, an independent non-executive director, 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*.

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 to the Listing Rules. Having made specific enquiry of all directors, all directors have confirmed that they have fully complied with the required standard set out in the Model Code for the year ended 31 December 2017.

REVIEW OF FINANCIAL INFORMATION

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

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

Hong Kong, 26 March 2018

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.