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 2018

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2018	2017	+/(-)
	HK$'000	*HK$'000*	
	(unaudited)	(unaudited)	
RESULTS			
Revenue	**865,007**	813,087	6.4%
Gross profit	**173,403**	192,219	(9.8%)
Profit attributable to owners of the Company	**18,077**	21,229	(14.8%)
EBITDA	**76,370**	90,048	(15.2%)
PER SHARE DATA			
Earnings per share for profit attributable to owners of the Company			
– Basic *(HK cents)*	**2.02**	2.38	(15.1%)
– Diluted *(HK cents)*	**2.02**	2.38	(15.1%)

The board (the "**Board**") of directors (the "**Directors**") of Ka Shui International Holdings Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (together with the Company, collectively the "**Group**") for the six months ended 30 June 2018, together with the comparative figures for the corresponding period in 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2018	2017
		HK$'000	*HK$'000*
	Note	**(unaudited)**	(unaudited)
Revenue	*4*	**865,007**	813,087
Cost of sales		**(691,604)**	(620,868)
Gross profit		**173,403**	192,219
Other income	*5*	**5,109**	10,762
Selling and distribution expenses		**(16,059)**	(13,907)
General and administrative expenses		**(126,040)**	(142,328)
Other operating expenses and income		**(1,631)**	(522)
Profit from operations		**34,782**	46,224
Finance costs	*6*	**(5,758)**	(9,144)
Share of loss of associates		**(481)**	(587)
Profit before tax		**28,543**	36,493
Income tax expense	*7*	**(9,744)**	(14,076)
Profit for the period	*8*	**18,799**	22,417
Attributable to			
Owners of the Company		**18,077**	21,229
Non-controlling interests		**722**	1,188
		18,799	22,417
Earnings per share	*10*		
– Basic *(HK cents)*		**2.02**	2.38
– Diluted *(HK cents)*		**2.02**	2.38

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period	**18,799**	22,417
Other comprehensive income:		
Item that will be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(3,255)**	9,666
Other comprehensive income for the period, net of tax	**(3,255)**	9,666
Total comprehensive income for the period	**15,544**	32,083
Attributable to		
Owners of the Company	**14,942**	31,620
Non-controlling interests	**602**	463
	15,544	32,083

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2018 HK$'000 (unaudited)	As at 31 December 2017 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**749,121**	770,592
Club membership		**718**	718
Investments in associates		**4,152**	1,336
Available-for-sale financial assets		**–**	–
Financial assets at fair value through other comprehensive income		**–**	–
Deposits paid for acquisition of property, plant and equipment		**17,190**	10,569
Deferred tax assets		**264**	310
		771,445	783,525
Current assets			
Inventories		**240,480**	252,406
Trade receivables	*11*	**441,159**	415,392
Prepayments, deposits and other receivables		**64,724**	69,545
Due from associates		**237**	–
Current tax assets		**1,119**	–
Restricted bank balances		**–**	3,234
Bank and cash balances		**172,178**	243,994
		919,897	984,571
Current liabilities			
Trade payables	*12*	**273,573**	367,394
Deposits received		**13,769**	12,615
Other payables and accruals		**64,742**	83,069
Due to associates		**617**	617
Due to a related company		**–**	4,465
Bank borrowings		**317,767**	326,611
Current tax liabilities		**33,969**	31,253
		704,437	826,024
Net current assets		**215,460**	158,547
Total assets less current liabilities		**986,905**	942,072

	As at 30 June 2018 *HK$'000* (unaudited)	As at 31 December 2017 *HK$'000* (audited)
Non-current liabilities		
Bank borrowings	**80,153**	41,667
Deferred tax liabilities	**33,600**	33,762
	113,753	75,429
NET ASSETS	**873,152**	866,643
Capital and reserves		
Share capital	**89,376**	89,376
Reserves	**767,853**	761,946
Equity attributable to owners of the Company	**857,229**	851,322
Non-controlling interests	**15,923**	15,321
TOTAL EQUITY	**873,152**	866,643

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 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 and trading of lighting products and housewares.

In the opinion of the directors of the Company, as at 30 June 2018, 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 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 Certified Public Accountants (the "**HKICPA**") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

These condensed consolidated financial statements should be read in conjunction with the 2017 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 2017.

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

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 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations.

The Group has initially adopted HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. As permitted by the transitional provisions of HKFRS 9, the Group has elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at FVTOCI or FVTPL; and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

(b) Measurement

At initial recognition, the Group measures a financial assets at its fair value plus, in the case of a financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognsied in profit or loss and presented net within other gains/(losses) in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(c) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

The following table summaries the impact on the Group's opening retained earnings as at 1 January 2018 is as follows:

	Note	*HK$'000*
Reclassify available-for-sale to FVTOCI		8,303
Increase in impairment losses for:		
– Trade and other receivables	*(ii)*	(97)
Related tax		–
Adjustment to retained earnings from adoption of HKFRS 9 on 1 January 2018		8,206
Attributable to		
Owners of the Company		8,206
Non-controlling interest		–
		8,206

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	*Note*	Classification under HKAS 39	Classification under HKFRS 9	Carrying amount under HKAS 39 *HK$'000*	Carrying amount under HKFRS 9 *HK$'000*
Equity investments	*(i)*	Available-for-sale	FVTOCI	–	–
Trade and other receivables	*(ii)*	Loans and receivables	Amortised cost	415,392	415,295

The impact of these changes on the Group's equity is as follows:

	Note	Effect on FVTOCI reserve *HK$'000*	Effect on retained earnings *HK$'000*
Opening balance – HKAS 39		–	428,796
Increase in impairment losses for trade and other receivables	*(ii)*	–	(97)
Reclassify non-trading equity investments from available-for-sale to financial assets at FVTOCI	*(i)*	(8,303)	8,303
Total impact		(8,303)	8,206
Opening balance – HKFRS 9		(8,303)	437,002

(i) This equity investment represents investment in a company which has ceased business and the management has made full impairment loss for the investment. As permitted by HKFRS 9, the Group has designated the investment at the initial application as measured at FVTOCI. As a result, assets with a fair value of HK$Nil were reclassified from available-for-sale financial assets to financial assets at FVTOCI and previous impairment losses of approximately HK$8,303,000 were reclassified from retained earnings to the FVTOCI reserve on 1 January 2018.

(ii) Trade and other receivables that were classified as loans and receivables under HKAS 39 are now classified at amortised cost. An increase of approximately HK$97,000 in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to HKFRS 9.

For assets in scope of the HKFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of HKFRS 9 impairment model requirements at 1 January 2018 results in an additional impairment allowance as follows:

	Note	HK$'000
Impairment allowance at 31 December 2017 under HKAS 39		764
Additional impairment recognised at 1 January 2018 on:		
– Trade and other receivables as at 31 December 2017	*(ii)*	97
Impairment allowance at 1 January 2018 under HKFRS 9		861

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has adopted HKFRS 15 using the cumulative effect method with the effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 has not been restated, i.e. it is presented, as previously reported, under HKAS 18, HKAS 11 and related interpretations.

The adoption of HKFRS 15 resulted in the following changes to the Group's accounting policies.

The Group manufactures and sells a range of zinc, magnesium and aluminium alloy die casting, plastic injection and lighting products and components as well as housewares. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell or use the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales are made with credit terms that range from 30 to 120 days. The Group's obligation to repair faulty products under the standard warranty terms is recognised as a provision.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

No material impact on the Group's opening retained earnings and financial position by the application of HKFRS 15 as compared to HKAS 18, HKAS 11 and related interpretation that was previously in effect before the adoption of HKFRS 15.

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 period.

For management purposes, the Group's operation is currently categorised into six (2017: five) operating divisions – zinc, magnesium, aluminium alloy die casting, plastic injection products and components, as well as trading of lighting products and housewares. 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 housewares. 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, share of loss of associates, corporate expenses, finance costs and income tax expense.

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

	Zinc alloy die casting	**Magnesium alloy die casting**	**Aluminium alloy die casting**	**Plastic injection**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
For the six months ended 30 June 2018						
Revenue from external customers	**93,375**	**295,591**	**86,085**	**365,740**	**24,216**	**865,007**
Segment profit	**2,341**	**14,081**	**3,981**	**23,902**	**3,386**	**47,691**

	Zinc alloy die casting	Magnesium alloy die casting	Aluminium alloy die casting	Plastic injection	Lighting Products	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(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

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Reconciliation of reportable segment profit:		
Total profit of reportable segments	**47,691**	65,316
Unallocated amounts:		
Interest income	**74**	184
Share of loss of associates	**(481)**	(587)
Finance costs	**(5,758)**	(9,144)
Corporate income	**292**	80
Corporate expenses	**(13,275)**	(19,356)
Income tax expense	**(9,744)**	(14,076)
Consolidated profit for the period	**18,799**	22,417

5. OTHER INCOME

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income	**74**	184
Reimbursement from customers	**1,942**	6,761
Others	**3,093**	3,817
	5,109	10,762

6. FINANCE COSTS

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest expenses on bank borrowings	**5,758**	9,144

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	**6,142**	5,324
Current tax – Income tax outside Hong Kong		
Provision for the period	**3,602**	8,752
	9,744	14,076

Hong Kong Profits Tax has been provided at a rate of 16.5% for the six months ended 30 June 2018 (for the six months ended 30 June 2017: 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.

8. PROFIT FOR THE PERIOD

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

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**42,069**	44,411
Loss/(Gain) on disposal of property, plant and equipment	**1,323**	(135)
Property, plant and equipment written off	**186**	824
Interest income	**(74)**	(184)
Bad debt written off	**156**	–
Reversal of allowance for inventories	**–**	(114)
Reversal of allowance for trade receivables	**(33)**	–

9. DIVIDENDS

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Dividends paid during the period Final dividend for the year ended 31 December 2017: HK1.0 cent per ordinary share (Final dividend for the year ended 31 December 2016: HK1.0 cent per ordinary share)	**8,938**	8,938

The board of directors does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2018 and 2017.

10. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Profit attributable to the owners of the Company, used in the basic and diluted earnings per share calculation	**18,077**	21,229
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
Weighted average number of ordinary shares used in diluted earnings per share calculation	**893,761,400**	893,789,522

11. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 120 days (31 December 2017: 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 as at 30 June 2018, based on the invoice date, and net of allowance, is stated as follows:

	As at 30 June 2018	As at 31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 30 days	**209,059**	173,319
31 to 60 days	**74,997**	108,282
61 to 90 days	**53,498**	46,714
91 to 180 days	**102,833**	86,705
Over 180 days	**836**	372
Less: allowance for bad and doubtful debts	**(64)**	–
	441,159	415,392

12. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days (31 December 2017: 30 to 90 days) from its suppliers. The ageing analysis of trade payables as at 30 June 2018, based on the date of receipt of goods, is as follows:

	As at 30 June 2018	As at 31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 30 days	**160,763**	102,808
31 to 60 days	**3,934**	85,317
61 to 90 days	**51,032**	69,284
91 to 180 days	**52,700**	104,211
Over 180 days	**5,144**	5,774
	273,573	367,394

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Overview

The ongoing trade dispute between the United States and China may further escalate geopolitical tensions, potentially resulting in negative economic impact worldwide. Faced with complex and changing market situation, the Group will continue to (i) leverage on its research and development capability in both product and technology innovation; (ii) optimize and integrate internal resources aggressively to strengthen business foundation; (iii) invest further in automation to enhance our product quality, production capacity and efficiency; and (iv) continue to seek business opportunities in order to cope with the recent development trends in the industry.

In spite of the aforesaid challenging situation similarly faced by almost all export related companies in Hong Kong and Southern China, the Group's plastic injection and magnesium alloy die casting business continued to act as major revenue contributors to the Group and plastic injection business achieved a satisfactory increase in revenue. The Group's revenue for the 2018 first half was HK$865,007,000, representing a year-on-year growth of approximately 6.4% (2017 first half: HK$813,087,000). Nevertheless, due to increase in costs of sales, profit attributable to owners of the Company decreased by 14.8% to HK$18,077,000 (2017 first half: HK$21,229,000) when compared with the corresponding period of 2017.

In future, through enhancing production efficiency by further improving our leading technologies, production automation and innovation, the Group will lay a stronger foundation to adapt to the changing market dynamics and tackle new challenges in the future.

(B) Financial Review

Benefitting from the flourishing demand for mobile device accessories and other plastic products, the Group's revenue for the six months ended 30 June 2018 recorded a 6.4% increase to HK$865,007,000 (2017 first half: HK$813,087,000), as compared with the corresponding period in 2017. Despite the increase in the Group's overall revenue, the gross profit for the first half of 2018 decreased by 9.8% to HK$173,403,000 (2017 first half: HK$192,219,000) due to rise in operating expenses and costs incurred to comply with more stringent safety and environmental protection measures in China. The overall gross profit margin also dropped from 23.6% in 2017 first half to 20.0% in 2018 first half. As a result, profit attributable to owners of the Company decreased by 14.8% to HK$18,077,000 (2017 first half: HK$21,229,000) and the Group's EBITDA, computed as profit before tax, depreciation, amortization of intangible assets and finance costs, amounted to HK$76,370,000 (2017 first half: HK$90,048,000).

(C) Business Review

Plastic injection moulding business

As a result of the strong demand for new mobile devices in the first half of 2018, the revenue of the plastic injection moulding business had recorded a 15.1% increase to HK$365,740,000 (2017 first half: HK$317,889,000) as compared with the previous corresponding period. The plastic injection business in automotive applications also attained satisfactory growth during the period under review. The contribution of this business segment to the Group's total revenue had grown from 39.1% in the first half of 2017 to 42.3% in the first half of 2018. As the shipment of mobile devices is expected to increase, the demand for mobile device accessories is expected to continue to grow in future. In order to capture a larger market share, the Group will strive to acquire more customers and orders by providing quality products and services.

Magnesium alloy die casting business

The business in notebook computers has been basically maintained. The revenue derived from magnesium alloy die casting business slightly dropped by 0.4% to HK$295,591,000 (2017 first half: HK$296,730,000), accounting for 34.2% (2017 first half: 36.5%) of the Group's revenue. As one of the leading market player of notebook casings manufacturing industry, the Group will actively and continuously optimise and improve its production technology, enhance automation in production and increase production capacity in order to enhance the profitability of this segment.

Zinc alloy die casting business

During the period under review, the revenue of zinc alloy die casting business decreased by 1.9% to HK$93,375,000 (2017 first half: HK$95,212,000) as compared with the same period last year, accounting for 10.8% (2017 first half: 11.7%) of the Group's overall revenue.

Aluminium alloy die casting business

For the six months ended 30 June 2018, the revenue of aluminum alloy die casting business decreased by 5.6% to HK$86,085,000 (2017 first half: HK$91,223,000), which accounted for 9.9% of the Group's overall revenue (2017 first half: 11.2%).

Others

During the first half of 2018, the revenue of other businesses increased by 101.2% to HK$24,216,000 (2017 first half: HK$12,033,000). The increase in revenue was mainly derived from the sale of LED lighting products to commercial customers in the United States.

(D) Prospects

Shrouded by the uncertainties arose from the changing global trade situation and volatile monetary policies, the Group expects the business environment will remain strained in the foreseeable future. The Group will continue its focus on material application, technology innovations and diversification of product offerings, clientele and geographic areas to alleviate the adverse impacts brought by the upcoming challenges.

With over 35 years' of experience and technological knowhow, the Group possesses good development in material applications (magnesium, aluminum and zinc alloy as well as plastic) and production technologies. Leveraging on its capability of light weight solutions, the Group has been supplying magnesium alloy casings for notebooks and tablets to a number of the global top 3C brands, and plastic parts to the world's renowned automotive brands. The Group also provides protective cases for mobile devices and has been proactively exploring the potential applications of its germ repellent plastic material namely microbeFENCE™ in various industries including healthcare, housewares and medical devices. In the future, the Group will continue to accelerate the commercialization of our results in research and development with an aim to offer customers tailored solutions through the application of different materials and production technologies. In addition, the Group has entered into an agreement with an independent third party in July 2018 to establish a joint venture company in Shenzhen, the PRC. This joint venture company is expected to engage in development, manufacturing and sale of metal alloy products, which will mainly be sold to customers engaging in automotive parts and precision components. Looking forward, the Group will continue to search for new business opportunities in the market with a view to creating new income streams as well as growth drivers for all business segments.

Considering the prevailing trend for light weight transportation, there will be a great demand for light weight materials such as alloy and plastics in the market. Under proper market condition and strong product offerings catered for this growing trend, the Group will continue to strengthen its materials application in order to tap into the emerging market segments. The Intelligent Foundry Industry Light Alloy Innovation Center was established in January 2018 and will serve as an effective platform to enhance the development of light alloys, to promote light weight of larger and precise foundry products and to encourage the formation of a comprehensive supply chain. In addition to light weight solutions, precision components with strong benefits in applications will have good market potential in the next couple of years. With the proficiency, knowledge and experience accumulated from high precision manufacturing, the Group is confident that it can fully cater to the rigorous requirements from customers.

To capture the ample opportunities, the Group will carry on its research and development for innovations in material applications that best suit its customers in the key downstream industries, namely, electronics, personal care, household and appliances, automotive parts and precision components. The Group has been working on upgrading and transforming its businesses including further investment in automation and building smarter facilities towards "Industry 4.0" in order to further enhance its production efficiency and achieve cost advantage. The Group is optimistic that under such execution plan, we will be able to build greater presence in the market.

With its widely-recognized experiences within the industry, the Group has built and maintained strong relationships with its world-renowned clients over the past three decades. The recent trade dispute between the United States and China has casted a shadow over the global economy and caused an impact on the market as well as general consumers' confidence. Nevertheless, based on the information currently available, we believe that there is no major direct impact to the Group at this moment. We shall remain cautious and attentive to the updates of the trade dispute and will take immediate actions if required. On the other hand, the Group will endeavor to expand globally for enriching the diversity of its customer network as well as exploring opportunities to extend its product offerings. With the heavily-promoted "Belt and Road Scheme" by the PRC government, the Group will proactively seek new development opportunities along the countries involved with a view to solidifying our leading position in the market.

Looking forward, the Group remains confident of its future developments. The Group will continue to prioritize the innovation and technological advancement of its materials application and precision technology, in order to be well-prepared for any opportunities and challenges raised from the new markets and deliver sustainable returns to our shareholders.

(E) Liquidity and Financial Resources

The principal sources of working capital of the Group during the period under review were from cash flows generated from operating activities and bank borrowings. As at 30 June 2018, the Group had restricted bank balances as well as bank and cash balances of approximately HK$172,178,000 (31 December 2017: HK$247,228,000), most of which were denominated in either US dollars, Renminbi or Hong Kong dollars.

As at 30 June 2018, the Group had interest-bearing borrowings of approximately HK$397,920,000 (31 December 2017: HK$368,278,000) in which HK$274,279,000 (31 December 2017: HK$245,364,000) was repayable within one year and HK$123,641,000 (31 December 2017: HK$122,914,000) was repayable more than one year. Most of the borrowings were denominated in Hong Kong dollars or US dollars (2017: Hong Kong dollars or US dollars) to which the interest rates applied were primarily subject to floating interest rate.

As at 30 June 2018, 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 25.9% (31 December 2017: 14.0%).

As at 30 June 2018, the net current assets of the Group were approximately HK$215,460,000 (31 December 2017: HK$158,547,000), which consisted of current assets of approximately HK$919,897,000 (31 December 2017: HK$984,571,000) and current liabilities of approximately HK$704,437,000 (31 December 2017: HK$826,024,000), representing a current ratio of approximately 1.3 (31 December 2017: 1.2).

(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 2018, the Group had no material contingent liabilities.

(H) Charge on Assets

As at 30 June 2018, 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.

(I) Human Resources

As at 30 June 2018, the Group had approximately 4,500 full-time employees (31 December 2017: 4,600). 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 levels 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 harmonious team spirit and promote a healthy lifestyle.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

During the period under review, the Company has complied with all the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), except the deviation form provision A.2.1 of the CG Code as mentioned below.

Pursuant to Code Provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Lee Yuen Fat, the Chairman and an executive officer of the Company, has temporarily taken up the duties of Chief Executive Officer of the Company after Dr. Wong Cheong Yiu stepped down from his position as the Chief Executive Officer of the Company with effect from 1 June 2018, until a suitable replacement is appointed. The Board believes that as Mr. Lee is the founder of the Group and has extensive experience and knowledge, Mr. Lee, together with the support of the management, shall strengthen the solid and consistent leadership of the Group, and Mr. Lee by assuming the roles of both Chairman and Chief Executive Officer would allow efficient business planning and decision, which the Board believes is in the best interest of the business development of the Group during this transitional period. The Company will, however, seek to re-comply with Code Provision A.2.1 by identifying and appointing a suitable and qualified candidate to fill the casual vacancy as soon as practicable.

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 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 on the appointment of directors to the Board 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*, 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 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 2018.

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 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.