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 2018

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2018	2017	+/(-)
	HK$'000	*HK$'000*	
RESULTS			
Revenue	**1,852,329**	1,738,738	6.5%
Gross profit	**447,799**	309,769	44.6%
Profit attributable to owners of the Company	**113,556**	33,998	234.0%
EBITDA	**221,115**	185,282	19.3%
PER SHARE DATA			
Earnings per share for profit attributable to owners of the Company			
— Basic *(HK cents)*	**12.71**	3.80	234.5%
— Diluted *(HK cents)*	**12.71**	3.80	234.5%
Dividends per share			
— Interim *(HK cent)*	**—**	—	—
— Final *(HK cent)*	**3.5**	1.0	250.0%
— Full Year *(HK cent)*	**3.5**	1.0	250.0%

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 2018, together with the comparative figures for the year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 December	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**1,852,329**	1,738,738
Cost of sales		**(1,404,530)**	(1,428,969)
Gross profit		**447,799**	309,769
Other income	*5*	**20,900**	16,670
Impairment losses on trade receivables		**(132)**	(764)
Reversals of impairment losses on trade receivables		**764**	—
Selling and distribution expenses		**(33,586)**	(30,465)
General and administrative expenses		**(269,644)**	(271,500)
Other operating expenses and income		**(26,881)**	(21,288)
Profit from operations		**139,220**	2,422
Finance costs	*6*	**(13,167)**	(16,115)
Gain on disposal of a subsidiary		**—**	96,011
Share of losses of associates		**(146)**	(325)
Profit before tax		**125,907**	81,993
Income tax expense	*7*	**(12,505)**	(45,862)
Profit for the year		**113,402**	36,131
Attributable to			
Owners of the Company		**113,556**	33,998
Non-controlling interests		**(154)**	2,133
		113,402	36,131
Earnings per share	*9*		
— Basic *(HK cents)*		**12.71**	3.80
— Diluted *(HK cents)*		**12.71**	3.80

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**113,402**	36,131
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Surplus on revaluation of leasehold land	**20,858**	15,017
Income tax on items that will not be reclassified to profit or loss	**(6,647)**	(1,576)
	14,211	13,441
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	**(40,578)**	48,061
Share of translation reserve of associates	**(25)**	(16)
Exchange differences reclassified to profit or loss on disposal of a foreign operation	**—**	6,118
	(40,603)	54,163
Other comprehensive income for the year, net of tax	**(26,392)**	67,604
Total comprehensive income for the year	**87,010**	103,735
Attributable to		
Owners of the Company	**88,118**	97,081
Non-controlling interests	**(1,108)**	6,654
	87,010	103,735

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**766,155**	770,592
Club membership		**718**	718
Investments in associates		**9,931**	1,336
Financial assets at FVTOCI/ Available-for-sale financial assets		**—**	—
Deposits paid for acquisition of property, plant and equipment		**8,287**	10,569
Deferred tax assets		**215**	310
		785,306	783,525
Current assets			
Inventories		**244,755**	252,406
Right of return assets		**111**	—
Trade receivables	*10*	**376,785**	415,392
Contract assets		**14,670**	—
Prepayments, deposits and other receivables		**40,842**	69,545
Due from associates		**108**	—
Current tax assets		**995**	—
Restricted bank balances		**5,517**	3,234
Bank and cash balances		**250,606**	243,994
		934,389	984,571
Current liabilities			
Trade payables	*11*	**264,032**	367,394
Deposits received		**—**	12,615
Contract liabilities		**1,500**	—
Refund liabilities		**241**	—
Other payables and accruals		**95,284**	83,069
Due to associates		**3,257**	617
Due to a related company		**—**	4,465
Bank borrowings		**242,854**	326,611
Current tax liabilities		**44,118**	31,253
		651,286	826,024
Net current assets		**283,103**	158,547
Total assets less current liabilities		**1,068,409**	942,072

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Non-current liabilities		
Bank borrowings	**81,848**	41,667
Deferred tax liabilities	**28,701**	33,762
	110,549	75,429
NET ASSETS	**957,860**	866,643
Capital and reserves		
Share capital	**89,376**	89,376
Reserves	**850,881**	761,946
Equity attributable to owners of the Company	**940,257**	851,322
Non-controlling interests	**17,603**	15,321
TOTAL EQUITY	**957,860**	866,643

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 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.

In the opinion of the directors of the Company, as at 31 December 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 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). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

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 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments; and

(ii) HKFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

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

(i) Classification

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

- those to be measured subsequently at fair value through other comprehensive income ("**FVTOCI**") or at fair value through profit or loss ("**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.

(ii) Measurement

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset 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.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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 recognised 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.

(iii) Impairment

From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses ("**ECLs**") 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.

HKFRS 9 requires the Group to recognise and measure either a 12-month ECL or a lifetime ECL, depending on the asset and the facts and circumstances.

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

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

	Note	*HK$'000*
Reclassification of non-trading equity investment from available-for-sale to financial assets at FVTOCI	*(a)*	8,303
Increase in impairment losses for trade and other receivables	*(b)*	(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	*(a)*	Available-for-sale	FVTOCI	—	—
Trade receivables	*(b)*	Loans and receivables	Amortised cost	415,392	415,295
Deposits and other receivables	*(b)*	Loans and receivables	Amortised cost	17,948	17,948
Restricted bank balances	*(c)*	Loans and receivables	Amortised cost	3,234	3,234
Bank and cash balances	*(c)*	Loans and receivables	Amortised cost	243,994	243,994

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

	Note	Effect on FVTOCI reserve	Effect on retained earnings
		HK$'000	*HK$'000*
Opening balance — HKAS 39		—	428,796
Reclassification of non-trading equity investments from available-for-sale to financial assets at FVTOCI	*(a)*	(8,303)	8,303
Opening balance — HKFRS 9		(8,303)	437,099

The effect on retained earnings is before adjustment for impairment (see below).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application.

Notes:

(a) These equity investments represent investments that the Group intends to hold for the long term for strategic purposes. The Group elected to present in other comprehensive income changes in the fair value of these investments because these investments are held as long-term strategic investments. As a result, the fully impaired investment was reclassified from available-for-sale financial assets to financial assets at FVTOCI and impairment losses of HK$8,303,000 were reclassified from retained earnings to the FVTOCI reserve on 1 January 2018. Unlike HKAS 39, the accumulated impairment losses related to these investments will never be reclassified to profit or loss.

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

(c) These financial assets were classified as loans and receivables under HKAS 39 are now classified at amortised cost. No further impairment allowance was recognised in opening accumulated losses 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:

	HK$'000
Specific impairment allowance at 31 December 2017 under HKAS 39	764
Additional impairment recognised at 1 January 2018 on trade and other receivables	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 applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue.

The Group manufactures and sells a range of zinc, magnesium and aluminium alloy die casting, plastic injection products and components which are original equipment manufacturing products ("**OEM Products**") which have no alternative use to the Group. The Group also sells lighting products and home appliances which have alternative use to the Group. In prior reporting periods, revenue from the sales of OEM Products, lighting products and home appliances is recognised when the risk and rewards of ownership have been passed to the customers.

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

(i) *Revenue from sales of OEM Products*

Under HKFRS 15, OEM Products that have no alternative use to the Group and when the Group has enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation satisfied over time in accordance with the input method, by reference to the costs incurred to date over the total expected costs. Otherwise, sales are recognised when control of the products has been transferred, being when the products have been delivered to the designated location prescribed by the customer.

For revenue recognised over time, payment is not due from the customer until the delivery has been made and therefore a contract asset is recognised over the period in which the goods are produced, representing the entity's right to consideration for the goods produced to date. 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.

(ii) Revenue from sales of non-OEM Products (lighting products and home appliances)

Under HKFRS 15, sales of non-OEM Products are recognised when control of the products has been transferred, being when the products are delivered to the customers. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either customer has accepted the products in accordance with the sales contracts, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

	Note	*HK$'000*
Sales of OEM Products with an enforceable right to payment	*(i)*	2,713
Sales of moulds which were billed together with products	*(ii)*	9,278
Effect on deferred tax liabilities	*(v)*	(2,139)
Adjustment to retained earnings from adoption of HKFRS 15 on 1 January 2018		9,852
Attributable to		
Owners of the Company		9,852
Non-controlling interest		—
		9,852

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 if the superseded standard had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Note	Amounts reported in accordance with HKFRS 15	Hypothetical amounts under HKASs 18	Estimated impact of adoption of HKFRS15
		HK$'000	*HK$'000*	*HK$'000*
As at 31 December 2018				
Consolidated statement of financial position (extract)				
Contract assets	*(i) & (ii)*	14,670	—	14,670
Inventories	*(i), (ii) & (iii)*	244,755	253,010	(8,255)
Right of return assets	*(i) & (iii)*	111	—	111
Deposits received	*(i) & (iv)*	—	1,500	(1,500)
Contract liabilities	*(i) & (iv)*	1,500	—	1,500
Refund liabilities	*(i) & (iii)*	241	—	241
Deferred tax liabilities	*(i), (ii) & (v)*	28,701	27,732	969
Retained earnings		551,482	545,633	5,849
Foreign currency translation reserve		(37,503)	(36,970)	(533)
For the year ended 31 December 2018				
Consolidated statement of profit or loss (extract)				
Revenue		1,852,329	1,859,157	(6,828)
Cost of sales		(1,404,530)	(1,406,112)	1,582
Income tax		(12,505)	(13,601)	1,096

(i) The differences arise as a result of the changes in accounting policies described above.

(ii) Certain moulds sold to customers are ordered together with the products, and the costs of moulds are recovered through the price of the products. The Group determined that the moulds are separate performance obligations in a sales contract. Transaction price is allocated to the moulds, resulting in earlier recognition of the revenue for the moulds when the control of them has been passed to the customers before the delivery of products.

Certain contracts with customers enable the Group to have enforceable right to payment for OEM Products manufactured to date if the customers terminate the contracts. Revenue for these contracts should be recognised over time as the Group satisfies the performance obligations during manufacturing, resulting in earlier recognition of revenue.

(iii) When the customer has a right to return the product within a given period, the Group is obliged to refund the purchase price. The Group previously did not recognise a provision for refunds which was measured on a net basis at the margin on the sale due to immateriality at 31 December 2017.

Under HKFRS 15, a refund liability for the expected refunds to customers is recognised as adjustments to revenue amounting to approximately HK$241,000 at 31 December 2018 in refund liabilities. At the same time, the Group has a right to recover the product from the customer where the customer exercises his right of return and recognises an asset and a corresponding adjustment to profit or loss amounting to approximately HK$241,000 at 31 December 2018.

(iv) Contract liabilities for billing in advance recognised in relation to sales of goods were previously presented as "Deposits received". The amount was reclassified as "Contract liabilities" so that the terminology is consistent with HKFRS 15.

(v) The recognition of revenue from the sales of moulds and the sales of OEM Products over time as described in note (ii) above resulted in temporary differences in the contract assets. Deferred tax liabilities were recognised accordingly.

(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 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
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 HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, 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 ending 30 June 2019. 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 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 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$16,403,000 as at 31 December 2018. 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

The Group is principally engaged in the manufacture and sale of zinc, magnesium and aluminium alloy die casting and plastic injection products and components, trading of lighting products and home appliances. Revenue derived from the transfer of goods and services are either recognised over time or at a point in time.

For management purposes, the Group's operation is currently categorised into six (2017: six) 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 meets 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 on disposal of a subsidiary, share of losses of associates, corporate expenses, finance costs and income tax expense.

Information about the reportable segment profit or loss:

	Zinc alloy die casting *HK$'000*	**Magnesium alloy die casting** *HK$'000*	**Aluminium alloy die casting** *HK$'000*	**Plastic injection** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Year ended 31 December 2018						
Revenue from external customers	**168,382**	**561,695**	**161,303**	**906,869**	**54,080**	**1,852,329**
Segment profit	**9,119**	**40,198**	**3,976**	**86,734**	**5,449**	**145,476**
Depreciation and amortisation	**3,571**	**29,511**	**4,712**	**42,029**	**312**	**80,135**
Impairment loss on property, plant and equipment	**1,369**	**2,492**	**—**	**—**	**—**	**3,861**
Impairment losses on investments in associates	**—**	**—**	**—**	**—**	**1,652**	**1,652**

	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 losses on property, plant and equipment	—	8,752	—	—	—	8,752

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

Reconciliation of reportable segment revenue, profit or loss:

	2018 *HK$'000*	2017 *HK$'000*
Revenue		
Total revenue of reportable segments	**1,852,329**	1,738,738
Unallocated amounts	**—**	—
Consolidated revenue	**1,852,329**	1,738,738

	2018	2017
	HK$'000	*HK$'000*
Profit or loss		
Total profit of reportable segments	**145,476**	22,311
Unallocated amounts:		
Gain on disposal of a subsidiary	**—**	96,011
Share of losses of associates	**(146)**	(325)
Interest income	**300**	354
Finance costs	**(13,167)**	(16,115)
Income tax expense	**(12,505)**	(45,862)
Corporate income	**205**	86
Corporate expenses	**(6,761)**	(20,329)
Consolidated profit for the year	**113,402**	36,131

	2018	2017
	HK$'000	*HK$'000*
Other material items — depreciation and amortisation		
Total depreciation and amortisation of reportable segments	**80,135**	85,439
Unallocated amounts:		
Depreciation of property, plant and equipment for corporate use	**1,906**	1,735
Consolidated depreciation and amortisation	**82,041**	87,174

Geographical information:

Revenue

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**225,467**	264,145
People's Republic of China (the "**PRC**") except Hong Kong	**686,395**	705,186
Japan	**25,775**	34,891
The United States of America	**759,589**	587,384
Others	**155,103**	147,132
Consolidated total	**1,852,329**	1,738,738

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 aggregate amount of the geographical segments other than the PRC is less than 10% (2017: less than 10%) of the aggregate amount of all segments.

Revenue from major customers:

	2018	2017
	HK$'000	*HK$'000*
Zinc alloy die casting segment		
Customer a	**87,378**	103,742
Customer b	**40,508**	39,066
Customer c	**—**	2,367
Magnesium alloy die casting segment		
Customer c	**43,945**	87,378
Customer e	**339,388**	253,514
Aluminium alloy die casting segment		
Customer a	**81,317**	114,663
Customer e	**161**	2,265
Plastic injection segment		
Customer b	**80,798**	106,196
Customer a	**—**	1,177
Customer d	**700,003**	518,229

5. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Compensation from suppliers	**598**	—
Interest income on bank deposits	**300**	354
Rental income	**176**	140
Reimbursement from customers	**11,994**	9,955
Sales of scrap materials	**3,290**	1,565
Government grants	**2,679**	3,260
Others	**1,863**	1,396
	20,900	16,670

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest expenses on bank borrowings	**13,167**	16,115

7. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**17,467**	16,936
(Over)/Under provision in prior years	**(2,303)**	294
Current tax — income tax outside Hong Kong		
Provision for the year	**10,099**	11,435
Capital gain tax arising from disposal of a subsidiary	**—**	13,727
Withholding tax arising from dividend payment of a disposed subsidiary	**—**	3,118
(Over)/Under provision in prior years	**(167)**	265
Deferred tax	**(12,591)**	87
Income tax expense	**12,505**	45,862

Hong Kong Profits Tax has been provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profits of Hong Kong incorporated subsidiaries for the year ended 31 December 2018.

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year assessment 2018/2019. Profits above HK$2 million will continue to be subject to the tax rate of 16.5%.

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% (2017: 25%).

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 2018 of HK3.5 cents (2017: 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:

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**113,556**	33,998

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
Weighted average number of ordinary shares used in diluted earnings per share calculation	**893,761,400**	893,789,331

10. TRADE RECEIVABLES

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

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**140,160**	173,319
31 to 60 days	**110,524**	108,282
61 to 90 days	**46,486**	46,714
91 to 180 days	**79,644**	86,705
Over 180 days	**200**	1,136
	377,014	416,156
Less: Allowance for bad and doubtful debts	**(229)**	(764)
	376,785	415,392

11. TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**66,541**	102,808
31 to 60 days	**73,753**	85,317
61 to 90 days	**59,650**	69,284
91 to 180 days	**60,409**	104,211
Over 180 days	**3,679**	5,774
	264,032	367,394

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Financial Review

For the year ended 31 December 2018, the Group's overall revenue slightly increased by approximately 6.5% to HK$1,852,329,000 (2017: HK$1,738,738,000) when compared with last year. The growth in overall revenue was primarily attributable to the increase in certain sales orders received by the Group in the fourth quarter in order to avoid the possible effect sparked by the China-US trade and tariff dispute.

Due to (i) decrease in the Group's operating cost due to improvement in process and enhancement in automation; (ii) reduction in overall operating cost due to integration of the Group's resources; and (iii) increase in operational efficiency due to optimisation of information systems, which increased the Group's profitability, the Group's overall gross profit margin increased from 17.8% in 2017 to 24.2%. As a result, the profit attributable to owners of the Company increased by 234.0% to HK$113,556,000 (2017: HK$33,998,000). The Group's EBITDA, computed as profit before tax, depreciation, amortisation of intangible assets and finance costs, amounted to HK$221,115,000 (2017: HK$185,282,000).

(B) Business Review

Plastic injection moulding business

The good response of the new mobile devices launched in the second half of 2018 and the increasing need for functional automobile and precision components together with moulds have led to an increase in the customer demand. Therefore, the revenue of this business segment had recorded a significant increase of approximately 27.3% to HK$906,869,000 (2017: HK$712,210,000), which accounted for approximately 49.0% (2017: 41.0%) of the Group's overall revenue. In order to pursue continued growth in this business segment, the Group will endeavor to further expand its customer portfolio and product solutions.

Magnesium alloy die casting business

Due to drop in the market demand of overall notebook computer, the revenue of the magnesium alloy die casting business for the year ended 31 December 2018 slightly decreased by approximately 4.6% to HK$561,695,000 (2017: HK$588,843,000), accounting for approximately 30.3% of the Group's overall revenue (2017: 33.9%). The Group is actively exploring the possibility in developing various applications of magnesium alloy and advanced forming technology as a platform for automotive and precision components to capture the growth potential of this business segment in the forthcoming future.

Zinc alloy die casting business

For the year ended 31 December 2018, the revenue of the zinc alloy die casting business was HK$168,382,000 (2017: HK$203,685,000), representing a decrease of approximately 17.3% when compared with that of 2017. This business segment accounted for approximately 9.1% of the Group's overall revenue (2017: 11.7%). It is expected that the zinc alloy die casting business will continue to act as a relatively 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 decreased by approximately 20.1% to HK$161,303,000 (2017: HK$201,928,000) when compared with that of the previous year. The segment's contribution to the Group's overall revenue had also decreased from approximately 11.6% in 2017 to 8.7% in 2018.

Others

The revenue of other businesses increased by approximately 68.6% to HK$54,080,000 (2017: HK$32,072,000) during the year. The growth was primarily derived from the increase in sales of LED lighting products to customers in the United States.

(C) Prospects

In 2019, the worldwide political and economic uncertainties persist in the first quarter. Yet, there have been signs that the China — United States trade and tariff disputes may be clearer and market demand will resume if major disagreements being resolved or concluded. The overall environment in 2019 however will continue to be challenging as a result of the trade and political tensions. While the Group will continue to closely monitor the changes in the operating environment, it will also focus on strengthening its own capability in material application, technology innovation, product diversification and client base expansion, as well as smart manufacturing development in order to stay competitive to overcome the challenges ahead.

For its plastic injection moulding segment, the Group carries on its product innovations to cater for the needs of its renowned brand customers in 3C and accessories, personal care and automobile verticals. From the estimates by International Data Corporation ("**IDC**"), smartphone shipments in 2019 are expected to return to a year-on-year growth of 2.6% to 1.56 billion units, driven by continued demands from emerging markets, high-end product launches by major brands and the new 5G technology. With such a huge market, the Group will continue to leverage on its new materials and technologies, to develop new designs with functional features to support its customers' new product launches and expansion. Plastics nowadays enable new and diverse applications due to the light weight and superior strength, the innovation in materials also transforms plastics to high-strength functional and structural components, which positively contributes to the weight reduction in transportation and precision applications. The Group continues to work towards this direction; and together with its expertise in precision moulding, the Group is expected to gain a larger presence in the automobile supply chain, tapping the potential in the lucrative new-energy transportation and precision applications.

Being a magnesium alloy casing and support supplier to the world's top computer brands, the Group has also been benefitting from the weight reduction trend of consumer electronics as the increase in demand for smaller and lighter ultrabooks and mobile devices constantly drives product upgrades. Despite that the worldwide shipment of personal computers slightly declined in 2018 due to the shortage of certain central processing units and the prudent procurement approach in businesses amidst the uncertain economic outlook, the shipment in 2019 may be released due to demand suppressed in 2018 according to the research of Gartner, Inc. To cope with the demand for light weight with sturdiness, different new materials and alloy including rare-earth alloy were developed for specific applications. Aside from the materials, the Group's outstanding surface treatment technology for superior surface protection also provides customers with extra values. The Group will continue to keep a key focus on its research and development efforts in materials and production applications to keep abreast of the market trends.

The Group will continue its efforts towards Industry 4.0 standard implementation within the organisation, by using timely data analysis to optimise production scheduling, improve operating efficiency, and most importantly to boost competitiveness in the digital era. By including the Internet of Thing ("**IoT**") solutions in its production facilities, data and information that can be made ready for making timely and effective decisions, thus reducing the Group's operational costs and production lead time.

With the technology advancement and innovations mentioned, coupled with its over 38 years of experience and knowhow in the die casting and plastic injection moulding, the Directors believe that the Group is in a good progress for a sustainable development and is well-prepared for market opportunities and challenges, to uphold its market presence and maximise its value for its customers.

(D) Liquidity and Financial Resources

As at 31 December 2018, the Group had restricted bank balances as well as bank and cash balances of approximately HK$256,123,000 (2017: HK$247,228,000), most of which were denominated in either US dollars, Renminbi or Hong Kong dollars.

The interest-bearing borrowings of the Group as at 31 December 2018 were all bank loans with an aggregate amount of approximately HK$324,702,000 (2017: HK$368,278,000). All of these borrowings were denominated in Hong Kong dollars (2017: Renminbi or Hong Kong dollars) and which were primarily subject to floating interest rates. 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$221,491,000, HK$21,363,000 and HK$81,848,000 respectively (2017: HK$245,364,000, HK$81,247,000 and HK$41,667,000 respectively).

As at 31 December 2018, 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 7.2% (2017: 14.0%).

As at 31 December 2018, the net current assets of the Group were approximately HK$283,103,000 (2017: HK$158,547,000), which consisted of current assets of approximately HK$934,389,000 (2017: HK$984,571,000) and current liabilities of approximately HK$651,286,000 (2017: HK$826,024,000), representing a current ratio of approximately 1.4 (2017: 1.2).

(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 2018, the Group had no material contingent liabilities.

(G) Charge on Assets

As at 31 December 2018, the Group's banking facilities were secured 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 2018, the Group had approximately 4,100 full-time employees (2017: 4,600). The Group attributes its success to the hard work and dedication of all staff, 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 retirement schemes, 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

A final dividend in respect of the year ended 31 December 2018 of HK3.5 cents per share, in an aggregate amount of approximately HK$31,282,000, has been proposed by the Board. The proposed final dividend will be payable on or about Monday, 17 June 2019 to shareholders whose names appear on the register of members of the Company on Monday, 10 June 2019 subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on Monday, 27 May 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 22 May 2019 to Monday, 27 May 2019, 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 21 May 2019.

The register of members will be closed from Tuesday, 4 June 2019 to Monday, 10 June 2019, 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 3 June 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 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 year 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 and Mr. Kong Kai Chuen, Frankie. 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 and Mr. Kong Kai Chuen, Frankie. 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 2018.

REVIEW OF FINANCIAL INFORMATION

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

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

Hong Kong, 26 March 2019

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Lee Yuen Fat and Mr. Wong Wing Chuen, 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.