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 2019

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2019	2018	+/(-)
	HK$'000	*HK$'000*	
	(unaudited)	(unaudited) (restated)	
RESULTS			
Revenue	**712,507**	864,234	(17.6%)
Gross profit	**140,890**	174,389	(19.2%)
Profit attributable to owners of the Company	**14,480**	19,862	(27.1%)
EBITDA	**75,209**	77,284	(2.7%)
PER SHARE DATA			
Earnings per share for profit attributable to owners of the Company			
– Basic *(HK cents)*	**1.62**	2.22	(27.0%)
– Diluted *(HK cents)*	**1.62**	2.22	(27.0%)

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 (collectively the "**Group**") for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2019	2018
		HK$'000	*HK$'000*
	Note	**(unaudited)**	(unaudited) (restated)
Revenue	*4*	**712,507**	864,234
Cost of sales		**(571,617)**	(689,845)
Gross profit		**140,890**	174,389
Other income	*5*	**9,050**	5,109
Reversal of impairment loss on trade receivables		**8**	33
Selling and distribution expenses		**(15,048)**	(16,059)
General and administrative expenses		**(109,266)**	(126,112)
Other operating expenses and income		**3,476**	(1,664)
Profit from operations		**29,110**	35,696
Finance costs	*6*	**(6,280)**	(5,758)
Share of loss of associates		**(435)**	(481)
Profit before tax		**22,395**	29,457
Income tax expense	*7*	**(8,138)**	(8,873)
Profit for the period	*8*	**14,257**	20,584
Attributable to			
Owners of the Company		**14,480**	19,862
Non-controlling interests		**(223)**	722
		14,257	20,584
Earnings per share	*10*		
– Basic *(HK cents)*		**1.62**	2.22
– Diluted *(HK cents)*		**1.62**	2.22

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Profit for the period	**14,257**	20,584
Other comprehensive income:		
Item that will be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**4,974**	(3,346)
Other comprehensive income for the period, net of tax	**4,974**	(3,346)
Total comprehensive income for the period	**19,231**	17,238
Attributable to		
Owners of the Company	**19,346**	16,636
Non-controlling interests	**(115)**	602
	19,231	17,238

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 30 June 2019** *HK$'000* **(unaudited)**	As at 31 December 2018 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**737,384**	766,155
Right-of-use assets		**10,030**	–
Club membership		**718**	718
Investments in associates		**9,561**	9,931
Financial assets at fair value through other comprehensive income		**–**	–
Deposits paid for acquisition of property, plant and equipment		**7,638**	8,287
Deferred tax assets		**215**	215
		765,546	785,306
Current assets			
Inventories		**200,549**	244,755
Right of return assets		**111**	111
Trade receivables	*11*	**302,699**	376,785
Contract assets		**11,722**	14,670
Prepayments, deposits and other receivables		**43,025**	40,842
Due from associates		**99**	108
Current tax assets		**2,038**	995
Restricted bank balances		**3,790**	5,517
Bank and cash balances		**203,777**	250,606
		767,810	934,389
Current liabilities			
Trade payables	*12*	**184,941**	264,032
Contract liabilities		**8,522**	1,500
Refund liabilities		**241**	241
Lease liabilities		**3,932**	–
Other payables and accruals		**77,836**	95,284
Due to associates		**617**	3,257
Bank borrowings		**204,955**	242,854
Current tax liabilities		**22,484**	44,118
		503,528	651,286
Net current assets		**264,282**	283,103
Total assets less current liabilities		**1,029,828**	1,068,409

	As at 30 June 2019 *HK$'000* (unaudited)	As at 31 December 2018 *HK$'000* (audited)
Non-current liabilities		
Bank borrowings	**48,933**	81,848
Lease liabilities	**6,213**	–
Deferred tax liabilities	**28,873**	28,701
	84,019	110,549
NET ASSETS	**945,809**	957,860
Capital and reserves		
Share capital	**89,376**	89,376
Reserves	**838,945**	850,881
Equity attributable to owners of the Company	**928,321**	940,257
Non-controlling interests	**17,488**	17,603
TOTAL EQUITY	**945,809**	957,860

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 PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, 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 30 June 2019, Precisefull Limited, a company incorporated in the British Virgin Islands, is the ultimate parent and Mr. Lee Yuen Fat ("**Mr. Lee**") is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

(a) Statement of compliance

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 2018 annual consolidated financial statements. The accounting policies (including the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) 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 2018 except as stated below.

(b) Retrospective adjustment in relation to the application of HKFRS 15 Revenue from Contracts with Customers

The Group initially applied HKFRS 15 on 1 January 2018. As stated in the condensed consolidated financial statements for the six months ended 30 June 2018, the Group is of the opinion that the application of HKFRS 15 has no material impact on the Group's opening retained earnings and financial position. After further assessment and clarification for the interpretation of HKFRS 15, the Group concluded the standard should have an impact to the Group's retained earnings as at 1 January 2018, the results for the six months ended 30 June 2018 and the financial position as of that date. Details of the impact on the retained earnings at 1 January 2018 have been disclosed in note 3(a) of the annual consolidated financial statements for the year ended 31 December 2018. Consequently, the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2018 has also been restated.

The effects of the adjustments in relation to the application of HKFRS 15 is as follows:

	As previously reported *HK$'000* (unaudited)	Effect of the adoption of HKFRS 15 *HK$'000* (unaudited)	As restated *HK$'000* (unaudited)
As at 30 June 2018			
Condensed consolidated statement of financial position (extract)			
Contract assets	–	21,314	21,314
Inventories	240,480	(8,486)	231,994
Deposits received	13,769	(13,769)	–
Contract liabilities	–	13,769	13,769
Deferred tax liabilities	33,600	1,282	34,882
Retained earnings	446,151	11,637	457,788
Foreign currency translation reserve	(989)	(91)	(1,080)
For the six months ended 30 June 2018			
Condensed consolidated statement of profit or loss (extract)			
Revenue	865,007	(773)	864,234
Cost of sales	(691,604)	1,759	(689,845)
General and administrative expenses	(126,040)	(72)	(126,112)
Income tax	(9,744)	871	(8,873)

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 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has initially adopted HKFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(b) As a lessee

The Group leases assets including properties and office equipment.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. office equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The recognised right-of-use assets relate to the following types of assets:

	Balance as at	
	30 June 2019	1 January 2019
	HK$'000	*HK$'000*
Properties	10,030	11,749

Significant accounting policies

The Group recognises right-of-use assets and lease liabilities at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

Previously, the Group classified property leases as operating leases under HKAS 17. These include office premises, factories, warehouses, staff quarters and office equipment. The leases typically run for a period of 1 to 5 years.

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all leases.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

- Excluded initial direct costs from measuring right-of-use assets at the date of initial application.

- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(c) As a lessor

The Group leases out its property and these leases are classified as operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17.

The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor. However, the Group has applied HKFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

(d) Impacts of financial statements

Impacts on transition

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. The change in accounting policy affected the following items on the condensed consolidated statement of financial position (increase/(decrease)) as at 1 January 2019 is summarised below.

	1 January 2019 *HK$'000*
Assets	
Right-of-use assets	11,749
Total assets	11,749
Liabilities	
Lease liabilities	11,749
Total liabilities	11,749

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 4.1%.

	1 January 2019 *HK$'000*
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	16,403
Less: commitments relating to leases exempted from capitalisation:	
– Short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(4,381)
– Leases of low-value assets	(164)
	11,858
Less: total future interest expenses	(109)
Present value of remaining lease payments, discounted using the incremental borrowing rate and total lease liabilities recognised as at 1 January 2019	11,749
Of which are:	
Current lease liabilities	3,995
Non-current lease liabilities	7,754
	11,749

Impacts for the period

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised approximately HK$10,030,000 of right-of-use assets and approximately HK$10,145,000 of lease liabilities as at 30 June 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and finance costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised approximately HK$1,974,000 of depreciation charges and approximately HK$215,000 of finance costs from these leases.

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 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 (2018: 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, share of losses 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 *HK$'000* **(unaudited)**	**Magnesium alloy die casting** *HK$'000* **(unaudited)**	**Aluminium alloy die casting** *HK$'000* **(unaudited)**	**Plastic injection** *HK$'000* **(unaudited)**	**Others** *HK$'000* **(unaudited)**	**Total** *HK$'000* **(unaudited)**
For the six months ended 30 June 2019						
Revenue from external customers	**70,805**	**232,091**	**71,018**	**312,938**	**25,655**	**712,507**
Segment profit	**1,664**	**8,586**	**2,041**	**17,697**	**3,687**	**33,675**

	Zinc alloy die casting *HK$'000* (unaudited) (restated)	Magnesium alloy die casting *HK$'000* (unaudited) (restated)	Aluminium alloy die casting *HK$'000* (unaudited) (restated)	Plastic injection *HK$'000* (unaudited) (restated)	Others *HK$'000* (unaudited)	Total *HK$'000* (unaudited) (restated)
For the six months ended 30 June 2018						
Revenue from external customers	92,797	295,655	84,466	367,100	24,216	864,234
Segment profit	4,130	12,482	2,361	26,246	3,386	48,605

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited) (restated)
Reconciliation of reportable segment profit:		
Total profit of reportable segments	**33,675**	48,605
Unallocated amounts:		
Interest income	**224**	74
Share of losses of associates	**(435)**	(481)
Finance costs	**(6,280)**	(5,758)
Corporate income	**–**	292
Corporate expenses	**(4,789)**	(13,275)
Income tax expense	**(8,138)**	(8,873)
Consolidated profit for the period	**14,257**	20,584

5. OTHER INCOME

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income	**224**	74
Reimbursement from customers	**2,714**	1,942
Sales of scrap materials	**1,955**	1,838
Government grants	**756**	–
Others	**3,401**	1,255
	9,050	5,109

6. FINANCE COSTS

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest expenses on bank borrowings	**6,065**	5,758
Interest expenses on lease liabilities	**215**	–
	6,280	5,758

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Current tax – Hong Kong Profits Tax		
Provision for the period	**4,042**	6,142
Current tax – Income tax outside Hong Kong		
Provision for the period	**4,047**	3,602
Deferred tax	**49**	(871)
	8,138	8,873

Hong Kong Profits Tax has been provided at a rate of 16.5% for the six months ended 30 June 2019 (for the six months ended 30 June 2018: 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	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**44,560**	42,069
Depreciation of right-of-use assets	**1,974**	–
Loss on disposal of property, plant and equipment	**–**	1,323
Property, plant and equipment written off	**3,399**	186
Interest income	**(224)**	(74)
Bad debt written off	**6**	156
Reversal of allowance for inventories	**(6,881)**	–
Reversal of allowance for trade receivables	**(8)**	(33)

9. DIVIDENDS

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Dividends paid during the period		
Final dividend for the year ended 31 December 2018: HK3.5 cents per ordinary share		
(Final dividend for the year ended 31 December 2017: HK1.0 cent per ordinary share)	**31,282**	8,938

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2019 and 2018.

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	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Earnings		
Profit attributable to the owners of the Company, used in the basic and diluted earnings per share calculation	**14,480**	19,862
Number of shares		
Weighted average number of ordinary shares used in basic and diluted earnings per share calculation	**893,761,400**	893,761,400

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 2018: 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 2019, based on the invoice date, and net of allowance, is stated as follows:

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 30 days	**159,661**	140,160
31 to 60 days	**50,212**	110,524
61 to 90 days	**48,376**	46,486
91 to 180 days	**43,050**	79,644
Over 180 days	**1,621**	200
Less: allowance for bad and doubtful debts	**(221)**	(229)
	302,699	376,785

12. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days (31 December 2018: 30 to 90 days) from its suppliers. The ageing analysis of trade payables as at 30 June 2019, based on the date of receipt of goods, is as follows:

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 30 days	**98,201**	66,541
31 to 60 days	**8,218**	73,753
61 to 90 days	**37,563**	59,650
91 to 180 days	**31,930**	60,409
Over 180 days	**9,029**	3,679
	184,941	264,032

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Overview

In the first half of 2019, the Group continues to face various uncertainties and challenges associated with the China-United States trade dispute. Against this backdrop, the Group's revenue for the 2019 first half decreased by approximately 17.6% to HK$712,507,000 (2018 first half: HK$864,234,000 (restated)) when compared with the same period last year. While there was a decrease in the general and administrative expenses when compared with the same period last year, such decrease in percentage terms was lower than the decrease in the revenue in percentage terms primarily due to, among others, expenses relating to the continuing integration of the Group's production facilities. As a result, profit attributable to owners of the Company for the six months ended 30 June 2019 was HK$14,480,000 (2018 first half: HK$19,862,000 (restated)), representing a year-on-year drop of approximately 27.1%.

In response to this difficult and challenging operating environment, the Group will continue to implement stringent cost control measures, increase automation in production and develop new products and innovative technology with a view to enhancing operational efficiency and achieving product diversification, as well as closely monitoring the market situation and making necessary adjustments to its strategies and operations.

Going forward, the Group remains confident that these strategies and our strong experience in technology and solutions will enable it to explore new business opportunities and tap into new industry sectors, establish new marketing network and provide value-added products and services for customers while safeguarding its solid long-term profitability and ability to deliver sustainable returns to shareholders.

(B) Financial Review

Due to uncertainty of general business atmosphere, in particular the escalating trade dispute of China and the United States which resulted in the Group's customers placing fewer orders, the Group's revenue for the six months ended 30 June 2019 dropped by approximately 17.6% to HK$712,507,000 (2018 first half: HK$864,234,000 (restated)) when compared with the same period last year. The gross profit for the first half of 2019 also decreased by approximately 19.2% to HK$140,890,000 (2018 first half: HK$174,389,000 (restated)). While there was a decrease in the general and administrative expenses when compared with the same period last year, such decrease in percentage terms was lower than the decrease in the revenue in percentage terms primarily due to, among others, expenses relating to the continuing integration of the Group's production facilities. As a result, profit attributable to owners of the Company for the six months ended 30 June 2019 recorded approximately 27.1% decrease to HK$14,480,000 (2018 first half:

HK$19,862,000 (restated)). The Group's EBITDA, computed as profit before tax, depreciation, amortisation of intangible assets and finance costs, amounted to HK$75,209,000 (2018 first half: HK$77,284,000 (restated)).

(C) Business Review

Plastic injection moulding business

Since there were relatively fewer new mobile devices models launched in the market and cautious business decisions made due to unfavourable market conditions in the first half of 2019, the revenue of plastic injection moulding business has decreased by approximately 14.8% to HK$312,938,000 (2018 first half: HK$367,100,000 (restated)) as compared with the same period last year. This business segment accounted for approximately 43.9% (2018 first half: 42.5% (restated)) of the Group's overall revenue. With the launch of newer 3C products, the Group will strengthen its research and development capabilities with a view to securing more new project orders for plastic injection and precision products.

Magnesium alloy die casting business

Primarily as a result of the slowdown in the global shipment of notebook computers, the revenue of the magnesium alloy die casting business for the six months ended 30 June 2019 decreased by approximately 21.5% to HK$232,091,000 (2018 first half: HK$295,655,000 (restated)), accounting for approximately 32.6% of the Group's overall revenue (2018 first half: 34.2% (restated)). Apart from notebook computer casings, the Group will continue to explore additional applications of magnesium alloy especially in the automotive and precision component industry with a view to enlarge its market share and to expand its customer base.

Zinc alloy die casting business

During the period under review, the revenue of zinc alloy die casting business decreased by approximately 23.7% to HK$70,805,000 (2018 first half: HK$92,797,000 (restated)) as compared with the same period last year, accounting for approximately 9.9% (2018 first half: 10.7% (restated)) of the Group's overall revenue. The Group will continue to implement smart production and enhance our operating efficiency so as to provide quality products to customers with whom we have maintained long-term relationships.

Aluminium alloy die casting business

For the six months ended 30 June 2019, the revenue of aluminum alloy die casting business dropped by approximately 15.9% to HK$71,018,000 (2018 first half: HK$84,466,000 (restated)), which accounted for approximately 10.0% of the Group's overall revenue (2018 first half: 9.8% (restated)). The Group will continue to focus on the research and development of different applications of aluminium alloy in order to expand its customer base and increase the revenue derived from this business segment.

Others

During the first half of 2019, the revenue of other businesses increased by approximately 5.9% to HK$25,655,000 (2018 first half: HK$24,216,000). The increase in revenue was mainly derived from the sale of LED lighting products to commercial customers in the United States of America.

(D) Prospects

As trade tensions and political uneasiness are yet to be settled, the Group expects the global business environment to remain clouded with uncertainties going forward. The Group will continue to leverage on its expertise in material applications, advanced technology, light metal, surface finishing, automation and product diversification to mitigate the effect of unfavorable market conditions, and it will also seize new business opportunities arisen from emerging business segments to maintain its market presence and widen its income streams.

Positioned as one of the leaders in material applications (metal die casting and plastic injection), the Group has been offering value-added product solutions, such as light weight magnesium alloy casings for ultrabooks, accessories for mobile devices, personal care items and product solutions for automotive and telecommunication sectors. Despite the market sentiment shadowed the global trades, the Group believes that the demand will gradually resume with expected new product launches together with growing sectors and applications in the coming quarters. On the other hand, the new mobile communications technologies including but not limited to 5G have reached a critical stage of development and have generated extensive demands for complementary infrastructures. In order to take advantage of the revolutionary network technologies, the Group is exploring business opportunities for offerings in this area, which would require light weight, good heat dissipation and environmentally friendly solutions.

Light weight solutions have been one of the key focuses in energy saving automobile and transport development. In view of the development of new energy vehicles, the Group has been taking a role in the development of supply chain and penetrating the technical service network. To cope with the market trend of new energy vehicles, the Group has been leveraging its resources and expertise of multi-material applications (plastics, alloy and rare-earth alloy) to supply automotive and high precision components, with an aim to expanding its product offerings and energy saving and environmentally friendly solutions.

With the commencement of the Intelligent Foundry Industry Light Alloy Innovation Center in January 2018, the Group has been working on closer integration of smart technology and industry development. With the applications of 3D printing and fast moulding, the Group is able to design and build prototypes for customers more quickly and respond to customer feedback more efficiently. This shortens the Group's turnaround cycle and drives in acquiring new business and orders. The Group will also continue its development towards "Industry 4.0" with smart facilities to further elevate its production efficiency and reduce the impact of rising labour cost to the Group.

Despite the unsettling effect brought by the global trade and geo-political tensions, China seizes the opportunity to quicken its integration with ASEAN's economy. Benefitting from the Belt and Road Initiative promoted by the Chinese government, the Group has been working with clients in reaching out to ASEAN countries for potential investment and business projects. With the strong and longstanding client relationship built, the Group has taken a proactive approach in exploring the possibility of extending its production and support service to the countries involved upon customers' requests, in order to support their development.

Where global trade situation remains challenging, the Group will closely monitor the changes in the operating environment and formulate prudent strategies. Leveraging on its accumulated expertise in material applications and production technologies together with strong solutions to customers, the Group is fully capable to provide a broader range of solutions, services and product innovations, as well as to proactively explore new business opportunities and tap into new industry sectors, establish new marketing network and provide value-added products and services for customers.

(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 2019, the Group had restricted bank balances as well as bank and cash balances of approximately HK$207,567,000 (31 December 2018: HK$256,123,000), most of which were denominated in either US dollars, Renminbi or Hong Kong dollars.

The interest-bearing borrowings of the Group as at 30 June 2019 were all bank loans with an aggregate amount of approximately HK$253,888,000 (31 December 2018: HK$324,702,000). All of these borrowings were denominated in Hong Kong dollars (31 December 2018: 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$204,955,000, HK$Nil and HK$48,933,000 respectively (31 December 2018: HK$221,491,000, HK$21,363,000 and HK$81,848,000 respectively).

As at 30 June 2019, 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 4.9% (31 December 2018: 7.2%).

As at 30 June 2019, the net current assets of the Group were approximately HK$264,282,000 (31 December 2018: HK$283,103,000), which consisted of current assets of approximately HK$767,810,000 (31 December 2018: HK$934,389,000) and current liabilities of approximately HK$503,528,000 (31 December 2018: HK$651,286,000), representing a current ratio of approximately 1.5 (31 December 2018: 1.4).

(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 and take appropriate measures to mitigate the risks that the Group faces from exchange rate fluctuations.

(G) Contingent Liabilities

As at 30 June 2019, the Group had no material contingent liabilities.

(H) Charge on Assets

As at 30 June 2019, 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.

(I) Human Resources

As at 30 June 2019, the Group had approximately 4,000 full-time employees (31 December 2018: 4,100). 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 providing 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 a 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 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2019, 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 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 ("**CEO**") should be separate and should not be performed by the same individual. During the period under review, Mr. Lee, the chairman and an executive director of the Company, has temporarily taken up the duties of CEO after Dr. Wong Cheong Yiu stepped down from his position as the CEO of the Company with effect from 1 June 2018 until a suitable candidate is appointed. The Board believes that, Mr. Lee is the founder of the Group and has extensive experience and knowledge, 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 CEO would allow efficient business planning and decision, which the Board believes is in the best interest of the business development of the Group during the transitional period.

Subsequent to the period under review, Mr. Leung King Kwok, Godfrey *SBS* ("**Mr. Leung**") was appointed as the CEO of the Company with effect from 23 July 2019. Mr. Lee stepped down from his role as the CEO of the Company on the same date but he remains as an executive director and the chairman of the Board.

Through Mr. Leung's appointment, the Company has re-complied with Code Provision A.2.1 of the CG Code since the roles of chairman and CEO of the Company are separate and are not performed by the same individual. Mr. Lee, the chairman of the Company, is responsible for the leadership and effective running of the Board while Mr. Leung, the CEO of the Company, is responsible for the overall management and supervision of the execution of the overall business strategies of the Group.

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 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 2019.

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, 27 August 2019

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Lee Yuen Fat, Mr. Wong Wing Chuen and Ms. Chan So Wah, 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.