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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2019	2018	+/(-)
	HK$'000	*HK$'000*	
	(unaudited)	(audited)	
RESULTS			
Revenue	**1,554,364**	1,852,329	(16.1%)
Gross profit	**395,926**	447,799	(11.6%)
Profit attributable to owners of the Company	**88,705**	113,556	(21.9%)
EBITDA	**201,650**	221,115	(8.8%)
PER SHARE DATA			
Earnings per share for profit attributable to owners of the Company			
— Basic *(HK cents)*	**9.92**	12.71	(22.0%)
— Diluted *(HK cents)*	**N/A**	N/A	N/A

FINANCIAL RESULTS

The Board of Directors (the "**Board**") of Ka Shui International Holdings Limited (the "**Company**") is pleased to announce the unaudited final results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019, together with the audited comparative figures for the year ended 31 December 2018, which are derived from the unaudited consolidated management accounts of the Company. For the reasons explained in the paragraph headed "Review of Unaudited Annual Results" in this announcement, the auditing process for the annual results of the Group for the year ended 31 December 2019 has not been completed.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**For the year ended 31 December 2019** ***HK$'000*** **(unaudited)**	2018 *HK$'000* (audited)
Revenue	*4*	**1,554,364**	1,852,329
Cost of sales		**(1,158,438)**	(1,404,530)
Gross profit		**395,926**	447,799
Other income	*5*	**31,484**	20,900
Impairment losses on trade receivables		**(117)**	(132)
Reversals of impairment losses on trade receivables		—	764
Selling and distribution expenses		**(29,990)**	(33,586)
General and administrative expenses		**(247,573)**	(269,644)
Other operating expenses and income		**(36,053)**	(26,881)
Profit from operations		**113,677**	139,220
Finance costs	*6*	**(11,536)**	(13,167)
Share of losses of associates		**(810)**	(146)
Profit before tax		**101,331**	125,907
Income tax expense	*7*	**(14,569)**	(12,505)
Profit for the year		**86,762**	113,402
Attributable to			
Owners of the Company		**88,705**	113,556
Non-controlling interests		**(1,943)**	(154)
		86,762	113,402
Earnings per share	*8*		
— Basic *(HK cents)*		**9.92**	12.71
— Diluted *(HK cents)*		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Profit for the year	**86,762**	113,402
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Surplus on revaluation of leasehold land	**11,279**	20,858
Income tax on items that will not be reclassified to profit or loss	**(3,714)**	(6,647)
	7,565	14,211
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	**(12,953)**	(40,578)
Share of translation reserve of associates	**—**	(25)
	(12,953)	(40,603)
Other comprehensive income for the year, net of tax	**(5,388)**	(26,392)
Total comprehensive income for the year	**81,374**	87,010
Attributable to		
Owners of the Company	**83,616**	88,118
Non-controlling interests	**(2,242)**	(1,108)
	81,374	87,010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2019 HK$'000 (unaudited)	2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**504,054**	766,155
Right-of-use assets		**224,525**	—
Club membership		**718**	718
Investments in associates		**8,953**	9,931
Financial assets at FVTOCI		**—**	—
Deposits paid for acquisition of property, plant and equipment		**7,894**	8,287
Deferred tax assets		**149**	215
		746,293	785,306
Current assets			
Inventories		**215,957**	244,755
Right of return assets		**111**	111
Trade receivables	*9*	**340,524**	376,785
Contract assets		**17,731**	14,670
Prepayments, deposits and other receivables		**47,407**	40,842
Due from associates		**16**	108
Current tax assets		**3,260**	995
Restricted bank balances		**1,835**	5,517
Bank and cash balances		**262,252**	250,606
		889,093	934,389
Current liabilities			
Trade payables	*10*	**209,014**	264,032
Contract liabilities		**1,005**	1,500
Refund liabilities		**241**	241
Other payables and accruals		**82,572**	95,284
Due to associates		**1,305**	3,257
Bank borrowings		**201,532**	242,854
Lease liabilities		**5,681**	—
Current tax liabilities		**35,807**	44,118
		537,157	651,286
Net current assets		**351,936**	283,103
Total assets less current liabilities		**1,098,229**	1,068,409

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Non-current liabilities		
Bank borrowings	**57,514**	81,848
Lease liabilities	**5,908**	—
Deferred tax liabilities	**26,852**	28,701
	90,274	110,549
NET ASSETS	**1,007,955**	957,860
Capital and reserves		
Share capital	**89,376**	89,376
Reserves	**903,215**	850,881
Equity attributable to owners of the Company	**992,591**	940,257
Non-controlling interests	**15,364**	17,603
TOTAL EQUITY	**1,007,955**	957,860

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 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

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 new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact or leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.10%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(a) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(b) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options; and

(c) excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 *HK$'000* (unaudited)
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

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 December 2018.

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "Finance leases payables", these amounts are included within "Lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	Note	Carrying amount as at 31 December 2018	Effects of adoption of HKFRS 16: Re-classification	Effects of adoption of HKFRS 16: Re-cognition of leases	Carrying amount as at 1 January 2019
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(audited)	(unaudited)	(unaudited)	(unaudited)
Assets					
Right-of-use assets		—	209,770	11,749	221,519
Property, plant and equipment	*(a)*	766,155	(209,770)	—	556,385
Liabilities					
Lease liabilities		—	—	11,749	11,749

Note:

(a) In relation to upfront payment for leasehold lands previously under finance leases, the Group re-categorises the carrying amount of the relevant assets which were still leased as at 1 January 2019 amounting to HK$209,770,000 (unaudited) as right-of-use assets.

(iii) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element. These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16	**Add back: HKFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating lease as if under HKAS 17** ***(note a)***	**Hypothetical amounts for 2019 as if under HKAS 17**	Compared to amounts reported for 2018 under HKAS 17
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**	(audited)
Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Profit from operation	**113,677**	**4,231**	**(4,351)**	**113,557**	139,220
Finance costs	**(11,536)**	**408**	**—**	**(11,128)**	(13,167)
Profits before taxation	**101,331**	**4,639**	**(4,351)**	**101,619**	125,907
Profit for the year	**86,762**	**4,639**	**(4,351)**	**87,050**	113,402

Note:

(a) The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

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 (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.

Information about the reportable segment profit or loss:

	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)
Year ended 31 December 2019						
Revenue from external customers	**158,745**	**496,168**	**140,665**	**714,815**	**43,971**	**1,554,364**
Segment profit	**6,294**	**41,272**	**5,706**	**71,101**	**(4,133)**	**120,240**
Depreciation and amortisation	**5,220**	**29,837**	**5,199**	**45,159**	**1,189**	**86,604**
Impairment loss on property, plant and equipment	**722**	**—**	**—**	**2,604**	**—**	**3,326**

	Zinc alloy die casting *HK\$'000* (audited)	Magnesium alloy die casting *HK\$'000* (audited)	Aluminium alloy die casting *HK\$'000* (audited)	Plastic injection *HK\$'000* (audited)	Others *HK\$'000* (audited)	Total *HK\$'000* (audited)
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

Reconciliation of reportable segment revenue, profit or loss:

	2019 *HK$'000* (unaudited)	2018 *HK$'000* (audited)
Revenue		
Total revenue of reportable segments	**1,554,364**	1,852,329
Unallocated amounts	**—**	—
Consolidated revenue	**1,554,364**	1,852,329

	2019 *HK$'000* (unaudited)	2018 *HK$'000* (audited)
Profit or loss		
Total profit of reportable segments	**120,240**	145,476
Unallocated amounts:		
Share of losses of associates	**(810)**	(146)
Interest income	**747**	300
Finance costs	**(11,536)**	(13,167)
Income tax expense	**(14,569)**	(12,505)
Corporate income	**293**	205
Corporate expenses	**(7,603)**	(6,761)
Consolidated profit for the year	**86,762**	113,402

	2019 *HK$'000* (unaudited)	2018 *HK$'000* (audited)
Other material items — depreciation and amortisation		
Total depreciation and amortisation of reportable segments	**86,604**	80,135
Unallocated amounts:		
Depreciation of property, plant and equipment for corporate use	**2,179**	1,906
Consolidated depreciation and amortisation	**88,783**	82,041

Geographical information:

Revenue

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Hong Kong	**162,722**	225,467
People's Republic of China (the "**PRC**") except Hong Kong	**636,311**	686,395
Japan	**16,969**	25,775
The United States of America	**619,770**	759,589
Others	**118,592**	155,103
Consolidated total	**1,554,364**	1,852,329

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% (2018: less than 10%) of the aggregate amount of all segments.

Revenue from major customers:

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Zinc alloy die casting segment		
Customer a	**73,381**	87,378
Customer b	**37,432**	40,508
Magnesium alloy die casting segment		
Customer c	**46,611**	43,945
Customer e	**338,475**	339,388
Aluminium alloy die casting segment		
Customer a	**71,554**	81,317
Customer e	**9**	161
Plastic injection segment		
Customer b	**65,901**	80,798
Customer d	**560,592**	700,003

5. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Compensation from suppliers	**68**	598
Insurance compensation	**733**	—
Interest income on bank deposits	**747**	300
Rental income	**502**	176
Reimbursement from customers	**12,212**	11,994
Sales of raw materials	**195**	—
Sales of scrap materials	**3,823**	3,290
Government grants	**7,881**	2,679
Others	**5,323**	1,863
	31,484	20,900

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Interest expenses on lease liabilities	**408**	—
Interest expenses on bank borrowings	**11,128**	13,167
	11,536	13,167

7. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Current tax — Hong Kong Profits Tax		
Provision for the year	**16,920**	17,467
Under/(Over) provision in prior years	**1,776**	(2,303)
Current tax — income tax outside Hong Kong		
Provision for the year	**4,785**	10,099
Over provision in prior years	**(3,727)**	(167)
Deferred tax	**(5,185)**	(12,591)
Income tax expense	**14,569**	12,505

Under the two-tiered profits tax regime, the first HK$2 million of assessable profits of qualifying corporations established in Hong Kong is lowered to 8.25% (2018: 8.25%), and profits above HK$2 million will be subject to the tax rate of 16.5% (2018: 16.5%). For the other Hong Kong established subsidiaries, Hong Kong Profits Tax has been provided at a rate of 16.5% (2018: 16.5%) on the estimated assessable profits.

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% (2018: 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.

8. EARNINGS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**88,705**	113,556

	2019	2018
	(unaudited)	(audited)
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	**893,761,400**	893,761,400

No diluted earnings per share are presented as the Company did not have any dilutive potential shares for the financial year ended 31 December 2019 (2018: Nil).

9. TRADE RECEIVABLES

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

	2019 ***HK$'000*** **(unaudited)**	2018 *HK$'000* (audited)
0 to 30 days	**127,728**	140,160
31 to 60 days	**95,767**	110,524
61 to 90 days	**48,495**	46,486
91 to 180 days	**68,429**	79,644
Over 180 days	**448**	200
	340,867	377,014
Less: Allowance for bad and doubtful debts	**(343)**	(229)
	340,524	376,785

10. TRADE PAYABLES

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

	2019 ***HK$'000*** **(unaudited)**	2018 *HK$'000* (audited)
0 to 30 days	**68,995**	66,541
31 to 60 days	**63,427**	73,753
61 to 90 days	**38,897**	59,650
91 to 180 days	**32,385**	60,409
Over 180 days	**5,310**	3,679
	209,014	264,032

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Financial Review

As a result of prolonged US-China trade dispute in 2019, which has dampened consumer sentiment and hence demand for the products of the Group's customers, the Group's overall revenue for the year ended 31 December 2019 dropped by approximately 16.1% to HK$1,554,364,000 (unaudited) (2018: HK$1,852,329,000 (audited)) when compared with last year.

While a drop in the general and administrative expenses was recorded when compared with the same period last year, such rate of decrease was lower than that of revenue primarily due to, among other factors, expenses relating to the continuing integration of the Group's production facilities. In this regard, the consolidated profit attributable to owners of the Company for the year ended 31 December 2019 decreased by approximately 21.9% to HK$88,705,000 (unaudited) (2018: HK$113,556,000 (audited)). The Group's EBITDA, computed as profit before tax, depreciation, amortisation of intangible assets and finance costs, amounted to HK$201,650,000 (unaudited) (2018: HK$221,115,000 (audited)).

Amid this difficult operating environment, the Group's gross profit margin was 25.5% (unaudited) (2018: 24.2% (audited)) due to increase in operational efficiency, more automation in production and improvement in customer and product mix.

To cope with the challenges ahead, the Group will place high priority on implementation of stringent cost control measures, increasing operational efficiency and development of new products and technology to achieve product diversification, as well as closely monitoring the market situation and making necessary adjustments to its strategies and operations.

(B) Business Review

Plastic injection moulding business

In 2019, political tension and trade dispute between the United States and China have affected the consumer sentiment which have led to a decrease in the market demand of mobile devices and automobiles. Therefore, the revenue of plastic injection moulding business segment had recorded a decrease of approximately 21.2% to HK$714,815,000 (unaudited) (2018: HK$906,869,000 (audited)), which accounted for approximately 46.0% (unaudited) (2018: 49.0% (audited)) of the Group's overall revenue. In order to expand its market share, the Group is committed to the research and development of new production technology to further enhance its product quality and application.

Magnesium alloy die casting business

As a result of the slowdown in the global shipment of notebook computers due to unfavourable market condition, the revenue of this business segment for the year ended 31 December 2019 dropped by approximately 11.7% to HK$496,168,000 (unaudited) (2018: HK$561,695,000 (audited)), accounting for approximately 31.9% (unaudited) of the Group's overall revenue (2018: 30.3% (audited)). Apart from existing products, since light weight components play an important role in the development of new energy vehicle, the Group will increase additional applications of magnesium alloy in automobile such as body and components of new energy vehicles with a view to providing best solutions to customers.

Zinc alloy die casting business

During the year under review, the revenue of the zinc alloy die casting business recorded a 5.7% decrease to HK$158,745,000 (unaudited) (2018: HK$168,382,000 (audited)) when compared with that of 2018. This business segment accounted for approximately 10.2% (unaudited) of the Group's overall revenue (2018: 9.1% (audited)). 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

The revenue of the aluminium alloy die casting business for the year ended 31 December 2019 was approximately HK$140,665,000 (unaudited) (2018: HK$161,303,000 (audited)), representing an approximately 12.8% decrease when compared with that of the previous year. This business segment accounts for approximately 9.0% (unaudited) of the Group's overall revenue (2018: 8.7% (audited)). In view of the rapid development of 5th generation mobile communication technology ("**5G**") network, the Group has been actively exploring collaboration with its partners and business opportunities in providing product or component solutions for building 5G base stations in order to expand its business portfolio.

Others

The revenue of other businesses (trading of lighting products and home appliances) dropped by approximately 18.7% to HK$43,971,000 (unaudited) (2018: HK$54,080,000 (audited)) when compared with that of the previous year.

(C) Prospects

Stepping into 2020, as the phase one of the Economic and Trade Agreement between the United States and China was signed, the Group anticipates less turbulent conditions for international trade as trade tensions subside. However, as resumption of operations after Chinese New Year in 2020 was delayed as a result of the Chinese government's response to control the spread of the novel coronavirus, uncertain market condition has created new challenges for businesses. The interruption of the supply chain in the PRC has affected the business performance in the first half of 2020. Whilst we are not yet in a position to ascertain the impact on the business environment due to outbreak of novel coronavirus, the Group will continue to stay vigilant in the dynamic market, and we will focus on the self-enhancement in material application, precision mould development, technology innovation, product diversification and internal optimisation to gain greater market recognition and prepare for future business opportunities.

To strengthen our market position as a solution provider, the Group has placed strong emphasis on offering value-added products to our customers. The Group's capability of utilising high-precision technique and fast response to provide premium products and accessories for flagship models has made the Group a partner with the globally renowned branded customers in communication devices and accessories. Since the worldwide sales of smartphones to end users is on track to reach 1.57 billion units in 2020 according to Gartner, Inc., and the unveil of more 5G mobile devices is expected to happen within the foreseeable future, the increasing need for replacement of mobile devices and accessories is expected to provide promising business opportunities to the Group. At the same time, the expected rapid development of 5G network has placed a demand on the need of updated infrastructures worldwide. Compared with the 4th generation mobile communication technology ("**4G**"), the speed of 5G is faster and is more likely to generate more heat. However, high temperature of electronic components in 5G devices will negatively affect their operating efficiencies and their service lives. Therefore, 5G related applications such as base stations, notebook computers and mobile devices will require efficient heat dissipation solutions and hence light alloy with high heat dissipation efficiency, which the Group has self-developed, and large scale die casting facilities can cater for this emerging market demand. As the speed requirement of 5G is higher than 4G, if the same wireless coverage is to be maintained, the number of 5G base stations is expected to be doubled. Currently, there are approximately 4.5 million 4G base stations around the world and it is expected that 13.5 million base stations are required for 5G and the demand for base stations in 2025 will reach 65 million units. The Group has already started to provide solutions for heat sink applications components in 5G base stations, and it is expected that the market potential of 5G related components will be huge in the foreseeable future.

Light weight solutions continue to be the focus for the Group for us to ride on the current market trend. In addition to the 5G related configuration, high heat dissipation magnesium alloy can also be applied for automotive components and its fast heat-dissipation feature can enhance the efficiency of electronic components used in automobile applications. Furthermore, the light-weight of the material coupled with squeeze die casting technology can be leveraged to produce high strength alloy auto components. This technology of the Group is expected to enhance the energy efficiency of automobile and therefore increase traveling distances with same energy. Accordingly, the Group will keep its customers informed of its new materials and new technologies, and will keep itself abreast of the latest market trends in order to provide the best solutions in the market to its customers. Apart from supplying high precision auto components, the Group has been trying to tap into the commercial vehicle market to provide technical service solutions and component or system development for commercial vehicles.

In view of the spread of novel coronavirus, the Group is actively exploring the application of biocide-free germ-repellent plastic to various fields such as medical and health care. The biocide-free germ-repellent plastic is an advanced material technology without using biocides. Instead of killing germs, the biocide-free germ-repellent plastic prevents germs from adsorbing and colonising on the surface to avoid cross-transmission of germs when used. This plastic is proven to be leach-free, non-toxic and will not give rise to drug-resistant "Superbugs". The Group will continue its research and development to provide innovative and practical solutions to its customers, and strive to achieve sustainable growth and continue to be a leading enterprise in the industry.

In addition to innovation in materials, the Group has also devoted itself to advances in technology. Advanced Out Mold Release ("**AOMR**") is an environmentally-friendly surface finishing technology to replace passivation and spray painting, which can reduce the discharge of toxic waste water and Volatile Organic Compounds ("**VOCs**") emission. AOMR combines the benefits of Micro Arc Oxidation ("**MAO**") and Out Mold Release ("**OMR**") with high production output, cost effectiveness, good performance and highly protective coating. AOMR is also environmentally friendly and has low carbon emission in manufacture. Leveraging on our capability in innovation, the Group can fully utilise its strengths in new material and new technology for industry upgrade and transformation.

With geo-political tension clouding over China over the past years, the Group is preparing for disruption in the manufacturing supply chain in China by trade disputes with other countries. In order to cope with such challenges and diversify business risks, the Group has already started collaborations with local partners in selected ASEAN countries for production capability expansion with a view to securing local support and alternative manufacturing bases outside China to its customers, while at the same time expanding its geographical coverage for new businesses. As for its production in China, the Group will continue its production upgrade towards Industry 4.0 to achieve a higher level of data analysis for management decision to further optimise production efficiency and reduce overheads. The continuous improvement in the Group's manufacturing process would yield more effective cost management and stronger profitability in the long run.

Despite the challenging business environment, the Group will continue to pursue a prudent approach to explore various investment opportunities and new business lines that are in-line with our business model, bringing in further synergy to the Group's operation and sustaining long-term business growth.

The Group will closely monitor the impact and implement necessary measures to mitigate their effects on the Group's business, as a result of trade dispute development and novel coronavirus outbreak. Technological innovation and advancement will remain a vital focus of the Group's future development, as we strive to uphold our leading position as a solution provider with expertise in metal, plastic injection and related areas. On top of that, strong customer relationships, years of experiences along with sound business philosophy will all serve as pillars for a sustainable progression for the Group and create long term values for shareholders.

(D) Liquidity and Financial Resources

As at 31 December 2019, the Group had restricted bank balances as well as bank and cash balances of approximately HK$264,087,000 (unaudited) (2018: HK$256,123,000 (audited)), 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 2019 were all bank loans with an aggregate amount of approximately HK$259,046,000 (unaudited) (2018: HK$324,702,000 (audited)). All of these borrowings were denominated in Hong Kong dollars (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$201,532,000 (unaudited), HK$nil (unaudited) and HK$57,514,000 (unaudited) respectively (2018 (audited): HK$221,491,000, HK$21,363,000 and HK$81,848,000 respectively).

As at 31 December 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 not applicable since the Group had net cash (pledged bank deposits, restricted bank balances (if any) and bank and cash balances less total bank borrowings) of HK$5,041,000 (unaudited) (2018: net gearing ratio of 7.2% (audited)).

As at 31 December 2019, the net current assets of the Group were approximately HK$351,936,000 (unaudited) (2018: HK$283,103,000 (audited)), which consisted of current assets of approximately HK$889,093,000 (unaudited) (2018: HK$934,389,000 (audited)) and current liabilities of approximately HK$537,157,000 (unaudited) (2018: HK$651,286,000 (audited)), representing a current ratio of approximately 1.7 (unaudited) (2018: 1.4 (audited)).

(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 2019, the Group had no material contingent liabilities.

(G) Charge on Assets

As at 31 December 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.

(H) Human Resources

As at 31 December 2019, the Group had approximately 3,500 full-time employees (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 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 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 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**") 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. After the appointment of Mr. Leung King Kwok, Godfrey *SBS* ("**Mr. Leung**") 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. 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 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 2019.

EVENTS AFTER THE REPORTING PERIOD

After the outbreak of novel coronavirus in early 2020, the Group has taken and is continuing to implement a series of precautionary and control measures. The Group had gradually resumed its manufacturing operations since mid-February 2020. Given that the impact of the novel coronavirus outbreak on the Group and its customers remains uncertain, the Group is not yet able to accurately evaluate its impact on the Group's financial position and operating results as at the date of this announcement. The Group will closely monitor to the development of the novel coronavirus epidemic and evaluate its impact on the financial position and operating results of the Group. The Group will take appropriate measures as necessary and will make further announcements in accordance with the Listing Rules.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to travel restrictions put in place in PRC and Hong Kong resulting from the novel coronavirus outbreak, which had affected the Group's reporting and audit processes, in particular certain finance staff had not been able to go back to the Group's premises after the Chinese New Year holidays, and travel restrictions had limited the ability of the Company's auditors to perform its audit procedures at the Group's facilities in the PRC. As a result of the above, the Company's auditors are continuing with their auditing work as of the date of this announcement, and the unaudited annual results for the year ended 31 December 2019 contained herein have been reviewed by the Company's audit committee and approved for its publication herein, but have not yet been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants, which is expected to be by end of April 2020.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2019 as agreed with the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein; (ii) the proposed final dividend of the Company for the year ended 31 December 2019 (if any); (iii) the payment date of any proposed final dividend (if applicable); (iv) the proposed date on which the forthcoming annual general meeting will be held; (v) the period during which the register of members will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting; and (vi) the period during which the registers of members will be closed in order to determine entitlement to receive the proposed final dividend (if applicable). In addition, the Company will issue further announcement(s) as and when necessary, such as any material development in the auditing of the Company's financial information for the year ended 31 December 2019. The Company expects that the audited final results of the Group for the year ended 31 December 2019, which have been agreed with the Company's auditor, will be announced by end of April 2020.

The financial information contained herein are derived from the consolidated management accounts of Group and have not been audited or agreed with the Company's auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 30 March 2020

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.