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 2020

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2020	2019	+/(-)
	HK$'000	*HK$'000*	
	(unaudited)	(unaudited)	
RESULTS			
Revenue	**616,265**	712,507	(13.5%)
Gross profit	**170,489**	140,890	21.0%
Profit attributable to owners of the Company	**51,026**	14,480	252.4%
EBITDA	**111,493**	75,209	48.2%
PER SHARE DATA			
Earnings per share for profit attributable to owners of the Company			
– Basic *(HK cents)*	**5.71**	1.62	252.5%
– Diluted *(HK cents)*	**N/A**	N/A	N/A

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 2020, together with the comparative figures for the corresponding period in 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2020	2019
		HK$'000	*HK$'000*
	Note	**(unaudited)**	(unaudited)
Revenue	*4*	**616,265**	712,507
Cost of sales		**(445,776)**	(571,617)
Gross profit		**170,489**	140,890
Other income	*5*	**13,863**	9,050
Reversal of impairment losses on trade receivables		–	8
Selling and distribution expenses		**(12,723)**	(15,048)
General and administrative expenses		**(105,529)**	(109,266)
Other operating expenses and income		**3,505**	3,476
Profit from operations		**69,605**	29,110
Finance costs	*6*	**(4,371)**	(6,280)
Share of losses of associates		**(513)**	(435)
Profit before tax		**64,721**	22,395
Income tax expense	*7*	**(13,903)**	(8,138)
Profit for the period	*8*	**50,818**	14,257
Attributable to			
Owners of the Company		**51,026**	14,480
Non-controlling interests		**(208)**	(223)
		50,818	14,257
Earnings per share			
– Basic *(HK cents)*	*10(a)*	**5.71**	1.62
– Diluted *(HK cents)*	*10(b)*	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period	**50,818**	14,257
Other comprehensive income:		
Item that will be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(14,114)**	4,974
Other comprehensive income for the period, net of tax	**(14,114)**	4,974
Total comprehensive income for the period	**36,704**	19,231
Attributable to		
Owners of the Company	**37,220**	19,346
Non-controlling interests	**(516)**	(115)
	36,704	19,231

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2020 *HK$'000* (unaudited)	As at 31 December 2019 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**486,767**	504,054
Right-of-use assets		**215,867**	224,525
Club membership		**718**	718
Investments in associates		**8,273**	8,953
Financial assets at fair value through other comprehensive income		**–**	–
Deposits paid for acquisition of property, plant and equipment		**6,990**	7,894
Deferred tax assets		**146**	149
		718,761	746,293
Current assets			
Inventories		**172,886**	215,957
Right of return assets		**111**	111
Trade receivables	*11*	**309,441**	340,524
Contract assets		**13,086**	17,731
Prepayments, deposits and other receivables		**46,395**	47,407
Due from associates		**428**	16
Current tax assets		**4,078**	3,260
Restricted bank balances		**1,801**	1,835
Bank and cash balances		**293,583**	262,252
		841,809	889,093
Current liabilities			
Trade payables	*12*	**152,995**	209,014
Contract liabilities		**8,217**	1,005
Refund liabilities		**241**	241
Lease liabilities		**4,909**	5,681
Other payables and accruals		**79,216**	82,572
Due to associates		**1,292**	1,305
Bank borrowings		**132,143**	201,532
Current tax liabilities		**26,056**	35,807
		405,069	537,157
Net current assets		**436,740**	351,936
Total assets less current liabilities		**1,155,501**	1,098,229

	As at 30 June 2020 *HK$'000* (unaudited)	As at 31 December 2019 *HK$'000* (audited)
Non-current liabilities		
Bank borrowings	**90,027**	57,514
Lease liabilities	**3,775**	5,908
Deferred tax liabilities	**34,915**	26,852
	128,717	90,274
NET ASSETS	**1,026,784**	1,007,955
Capital and reserves		
Share capital	**89,376**	89,376
Reserves	**922,560**	903,215
Equity attributable to owners of the Company	**1,011,936**	992,591
Non-controlling interests	**14,848**	15,364
TOTAL EQUITY	**1,026,784**	1,007,955

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 2020, 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 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 2019 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 2019.

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 2020. 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 accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019. A number of new or amended standards are effective from 1 January 2020 but they do not have a material effect on the Group's consolidated financial statements.

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, and provision of motor vehicle repairing services.

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 seven (2019: six) operating divisions – zinc, magnesium, aluminium alloy die casting, plastic injection products and components, trading of lighting products and home appliances as well as provision of motor vehicle repairing services. 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, and provision of motor vehicle repairing services. 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, 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	**Magnesium alloy die casting**	**Aluminium alloy die casting**	**Plastic injection**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
For the six months ended 30 June 2020						
Revenue from external customers	**47,986**	**210,027**	**48,796**	**286,170**	**23,286**	**616,265**
Segment profit	**1,668**	**28,311**	**2,994**	**39,753**	**205**	**72,931**

	Zinc alloy die casting	Magnesium alloy die casting	Aluminium alloy die casting	Plastic injection	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
For the six months ended 30 June 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

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Reconciliation of reportable segment profit:		
Total profit of reportable segments	**72,931**	33,675
Unallocated amounts:		
Interest income	**447**	224
Share of losses of associates	**(513)**	(435)
Finance costs	**(4,371)**	(6,280)
Corporate expenses	**(3,773)**	(4,789)
Income tax expense	**(13,903)**	(8,138)
Consolidated profit for the period	**50,818**	14,257

5. OTHER INCOME

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income	**447**	224
Reimbursement from customers	**3,673**	2,714
Sales of scrap materials	**1,246**	1,955
Government grants	**7,618**	756
Others	**879**	3,401
	13,863	9,050

6. FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest expenses on bank borrowings	**4,189**	6,065
Interest expenses on lease liabilities	**182**	215
	4,371	6,280

7. INCOME TAX EXPENSE

	For the six months ended 30 June 2020 HK$'000 (unaudited)	2019 HK$'000 (unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	**5,855**	4,042
Current tax – Income tax outside Hong Kong		
Provision for the period	**(517)**	4,047
Deferred tax	**8,565**	49
	13,903	8,138

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%, and assessable profits above HK$2 million will be subject to the tax rate of 16.5%. For the other Hong Kong established subsidiaries, Hong Kong Profits Tax has been provided at a rate of 16.5% (for the six months ended 30 June 2019: 16.5%) on the estimated assessable profits. 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 2020 HK$'000 (unaudited)	2019 HK$'000 (unaudited)
Depreciation of property, plant and equipment	**36,556**	43,015
Depreciation of right-of-use assets	**5,845**	3,519
Loss on disposal of property, plant and equipment	**510**	–
Property, plant and equipment written off	**337**	3,399
Interest income	**(447)**	(224)
Bad debt written off	**63**	6
Reversal of allowance for inventories	**(4,415)**	(6,881)
Reversal of impairment losses on trade receivables	**–**	(8)

9. DIVIDENDS

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Proposed interim dividend:		
HK1.0 cent (2019: Nil) per ordinary share	**8,938**	—
Dividends paid during the period		
Final dividend for the year ended 31 December 2019:		
HK2.0 cents per ordinary share		
(Final dividend for the year ended 31 December 2018:		
HK3.5 cents per ordinary share)	**17,875**	31,282
	26,813	31,282

Subsequent to the reporting period, the Board proposed the payment of an interim dividend in respect of the six months ended 30 June 2020 of HK1.0 cent (2019: Nil) per ordinary share, totaling approximately HK$8,938,000 (2019: Nil). The interim dividend for the six months ended 30 June 2020 has not been recognised as a liability at the end of the reporting period.

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to owners of the Company for the six months ended 30 June 2020 of approximately HK$51,026,000 (six months ended 30 June 2019: HK$14,480,000) and the weighted average number of ordinary shares of 893,761,400 (30 June 2019: 893,761,400) in issue during six months ended 30 June 2020.

(b) Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive ordinary shares during the six months ended 30 June 2020 and 2019.

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 2019: 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 2020, based on the invoice date, and net of allowance, is stated as follows:

	As at 30 June 2020 *HK$'000* **(unaudited)**	As at 31 December 2019 *HK$'000* (audited)
0 to 30 days	**155,435**	127,728
31 to 60 days	**44,137**	95,767
61 to 90 days	**58,117**	48,495
91 to 180 days	**50,344**	68,429
Over 180 days	**1,751**	448
Less: allowance for bad and doubtful debts	**(343)**	(343)
	309,441	340,524

12. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days (31 December 2019: 30 to 90 days) from its suppliers. The ageing analysis of trade payables as at 30 June 2020, based on the date of receipt of goods, is as follows:

	As at 30 June 2020 *HK$'000* **(unaudited)**	As at 31 December 2019 *HK$'000* (audited)
0 to 30 days	**70,315**	68,995
31 to 60 days	**35,325**	63,427
61 to 90 days	**23,495**	38,897
91 to 180 days	**16,750**	32,385
Over 180 days	**7,110**	5,310
	152,995	209,014

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Financial Review

In early 2020, the outbreak of COVID-19 pandemic and the subsequent quarantine measures as well as the travel restrictions imposed by various countries have adversely impacted global consumption. In view of this, the Group's revenue for the six months ended 30 June 2020 (the "**Period**") recorded a mild decrease of approximately 13.5% to HK$616,265,000 (2019 first half: HK$712,507,000) when compared with the same period last year. Amid this difficult operating environment, as a result of (i) decrease in the Group's operating cost due to process improvement and product mix, which has led to a drop in cost of sales; (ii) increase in operational efficiency as a result of continuous integration of the Group's resources and optimisation of information systems, from which the Group achieved reduction in manufacturing overhead; and (iii) one-off utility and government subsidies received by the Group during the Period, and the satisfactory progress of the Group's resumption of operations after the Group had received permission from the relevant authorities, the Group has recorded an increase by approximately 252.4% in the consolidated profit attributable to owners of the Company for the Period to HK$51,026,000 when compared with approximately HK$14,480,000 for the same period last year. The Groups' gross profit for the Period also grew by 21.0% to HK$170,489,000 (2019 first half: HK$140,890,000). The Group's EBITDA, computed as profit before tax, depreciation, amortisation of intangible assets and finance costs, amounted to HK$111,493,000 (2019 first half: HK$75,209,000).

(B) Business Review

Plastic injection moulding business

The outbreak of COVID-19 pandemic has caused disruption to businesses and increase in market uncertainties in affected regions and imposed a negative impact on global economies. As a result, the revenue of plastic injection moulding business had recorded a decrease by approximately 8.6% to HK$286,170,000 (2019 first half: HK$312,938,000) as compared with the corresponding period last year. This business segment accounted for approximately 46.4% (2019 first half: 43.9%) of the Group's overall revenue. With the launch of more 5G smartphones, it is expected that the shipment of smartphones and related accessories will gradually increase in the future. In order to enlarge our market share of plastic injection products and precision components, the Group will strive to acquire more customer orders by providing quality products and services and continue its research and development of new production technology.

Magnesium alloy die casting business

During the period under review, despite an increase in demand for personal computers due to the practice of studying and working from home, consumer sentiment, however, was adversely affected by COVID-19 pandemic. Against this backdrop, the revenue of the magnesium alloy die casting business dropped slightly by approximately 9.5% to HK$210,027,000 (2019 first half: HK$232,091,000), accounting for approximately 34.1% of the Group's overall revenue (2019 first half: 32.6%). In addition to notebook computer casings, the Group will continue to tap different applications of magnesium alloy especially in the precision component, automotive and construction industry in order to expand its customer base and enhance the profitability of this segment.

Zinc alloy die casting business

As a result of the poor market demand caused by the COVID-19 pandemic in the Period, the revenue of zinc alloy die casting business decreased by approximately 32.2% to HK$47,986,000 (2019 first half: HK$70,805,000) as compared with the same period last year, accounting for approximately 7.8% (2019 first half: 9.9%) of the Group's overall revenue.

Aluminium alloy die casting business

Aluminum alloy die-casting business was also affected by unfavourable market conditions, resulting in a drop of approximately 31.3% in revenue for the Period to HK$48,796,000 (2019 first half: HK$71,018,000). This segment accounted for approximately 7.9% of the Group's overall revenue (2019 first half: 10.0%).

Others

The revenue during the Period of other businesses (including trading of lighting products and home appliances and provision of motor vehicle repairing services) decreased by approximately 9.2% to HK$23,286,000 (2019 first half: HK$25,655,000).

(C) Prospects

Global economy was heavily clouded by the COVID-19 pandemic in the first half of 2020 and trade friction, with production and trading activities falling into a stage of stagnation in the first quarter. By the end of the second quarter, business operations gradually resumed momentum, while market sentiment and consumers' willingness to purchase remained relatively low. Simultaneously, the upcoming United States presidential election later this year and the escalating geopolitical tension also contributed to the uncertainties in the business landscape. The Group will stay flexible and react swiftly to market changes as well as respond to the latest national economic policy, namely, "to accelerate the establishment of a new "dual circulation" development pattern, in which domestic economic cycle plays a leading role while international economic cycle remains its extension and providing a synergy in development" to actively explore deeper involvement into the industry chain within China and expand its product sales for internal consumption in China, so as to balance against the uncertainties faced by the Group in its export activities and open up new market by leveraging on its leading position in providing one-stop solutions.

The pandemic has radically changed the perception of work and study, by popularizing the concept of working and studying from home, which has led to an increase in the demand for personal notebook computers and other mobile devices. According to a market research report by Gartner, Inc., worldwide personal computer shipments reached 64.8 million units in the second quarter of 2020, representing a 2.8% increase from the same period in 2019. As the trend of remote working and studying continues, the market demand for light weight laptops and ultrabooks is expected to sustain, which is anticipated to bolster the Group's sales of computer components to major personal computer brands.

With the expected launch of more new 5G smartphone models in 2020, the Group has been producing and delivering orders of our products that are to be used in communication devices and accessories to its customer for new model launches. The management sees the resilience in the mobile device and accessories industry with ongoing technological innovation, and is optimistic that 5G smartphones will stimulate a new round of mobile device replacement in the second half of the year. The Group will continue to keep abreast of the latest industry and market trends and allocates more resources to technology research and development, so as to enable the Group to grasp more and greater opportunities.

New material application have been made possible with the Group's constant pursuit of new product development and technological innovation. Earlier this year, the Group has successfully expanded the use of its self-developed and patented technology – microbeFENCE®, a biocide-free, germ-repellent and safe-to-use antimicrobial solution, to personal health care products in response to the growing concerns of personal hygiene amid the COVID-19 pandemic outbreak. An online sales platform was set up to promote our new brand of anti-epidemic products. These products have been well-received in the market and this showcased the Group's ability and swift response in capturing market opportunities with its diverse technological solutions. In the future, the Group will continue to explore different potential applications of biocide-free germ-repellent plastic in the medical and health care field.

On the other hand, the Group's advanced testing facilities will continue to foster the research and development of metal alloys with different properties and elements as well as production technologies to fit the needs of automotive and technological communication components. The Group's advanced material solutions feature light-weightiness, while possessing favourable properties such as high strength and toughness alongside with effective heat dissipation, all of which are crucial to the latest development of products within the automotive and communications industries. Light-weightiness of the material coupled with squeeze die casting technology can be leveraged to produce high strength alloy auto components so as to enhance the energy efficiency of automobiles. With decades of experience in aluminum and magnesium alloy die casting and strong capability in mold design and fabrication, the Group has successfully initiated various collaboration projects to develop battery housings for new energy vehicles and will further look for new product applications in other industries. In addition, the Group's self-developed Advanced Out Mold Release ("**AOMR**"), an environmentally-friendly surface finishing technology which can be used to replace traditional passivation and spray painting, can reduce the discharge of toxic waste water, Volatile Organic Compounds ("**VOCs**") and carbon emission. It is expected that AOMR will be applied in the Group's mass production process in the second half of this year. Through innovation and advancement of its material application and technology, the Group will endeavor to expand globally, enrich the diversity of its customer network, as well as explore opportunities to extend its product offerings.

The global economic environment remains full of unforeseeable challenges for the rest of 2020 and the Group will cautiously monitor the market and formulate sensible strategies in order to maintain a firm foothold in the industry. Material and technological innovation, internal optimisation and strong client relationship are essential to the Group's profitability, and the Group will leverage on its highly experienced team and its industry expertise to further strengthen its competitive edges and explore potential projects which are expected to have good synergy with existing businesses so as to weather the challenges ahead and bring in more values.

(D) Liquidity and Financial Resources

The principal sources of working capital of the Group during the period under review was from cash flows generated from operating activities and bank borrowings. As at 30 June 2020, the Group had restricted bank balances as well as bank and cash balances of approximately HK$295,384,000 (31 December 2019: HK$264,087,000), most of which were denominated in either the US dollars, the Renminbi or the Hong Kong dollars.

The interest-bearing borrowings of the Group as at 30 June 2020 were all bank loans with an aggregate amount of approximately HK$222,170,000 (31 December 2019: HK$259,046,000). All of these borrowings were denominated in Hong Kong dollars, Renminbi or Euros (31 December 2019: 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$132,143,000, Nil and HK$90,027,000 respectively (31 December 2019: HK$201,532,000, Nil and HK$57,514,000 respectively).

As at 30 June 2020, 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$73,214,000 (31 December 2019: HK$5,041,000).

As at 30 June 2020, the net current assets of the Group was approximately HK$436,740,000 (31 December 2019: HK$351,936,000), which consisted of current assets of approximately HK$841,809,000 (31 December 2019: HK$889,093,000) and current liabilities of approximately HK$405,069,000 (31 December 2019: HK$537,157,000), representing a current ratio of approximately 2.1 (31 December 2019: 1.7).

(E) Exposure to Foreign Exchange Risk

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

(F) Contingent Liabilities

As at 30 June 2020, the Group had no material contingent liabilities.

(G) Charge on Assets

As at 30 June 2020, 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 30 June 2020, the Group had approximately 4,600 full-time employees (31 December 2019: 3,500). 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 has resolved to declare an interim dividend of HK1.0 cent per share for six months ended 30 June 2020 payable on or about Friday, 18 September 2020, to the shareholders whose names appear on the register of members of the Company on Friday, 11 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 9 September 2020 to Friday, 11 September 2020, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 8 September 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2020, 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.

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 2020.

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, 24 August 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.