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KA SHUI INTERNATIONAL HOLDINGS LIMITED

嘉瑞國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 822)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS	For the year ended 31 December		+ / (-)
	2020 HK\$'000	2019 HK\$'000	
RESULTS			
Revenue	1,469,237	1,554,364	(5.5%)
Gross profit	447,303	426,671	4.8%
Profit attributable to owners of the Company	123,991	88,705	39.8%
EBITDA	252,302	201,650	25.1%
PER SHARE DATA			
Earnings per share for profit attributable to owners of the Company			
— Basic (HK cents)	13.87	9.92	39.8%
— 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 audited final results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 December	
	Note	2020 HK\$'000	2019 HK\$'000
Revenue	4	1,469,237	1,554,364
Cost of sales		<u>(1,021,934)</u>	<u>(1,127,693)</u>
Gross profit		447,303	426,671
Other income	5	25,155	31,484
Impairment losses on trade receivables		(236)	(117)
Selling and distribution expenses		(27,119)	(29,990)
General and administrative expenses		(273,495)	(278,318)
Other operating expenses and income		<u>(10,205)</u>	<u>(36,053)</u>
Profit from operations		161,403	113,677
Finance costs	6	(6,840)	(11,536)
Gain on disposal of a subsidiary		9	—
Gain on disposal of associates		350	—
Share of losses of associates		<u>(872)</u>	<u>(810)</u>
Profit before tax		154,050	101,331
Income tax expense	7	<u>(31,295)</u>	<u>(14,569)</u>
Profit for the year		<u>122,755</u>	<u>86,762</u>
Attributable to			
Owners of the Company		123,991	88,705
Non-controlling interests		<u>(1,236)</u>	<u>(1,943)</u>
		<u>122,755</u>	<u>86,762</u>
Earnings per share	9		
— Basic (HK cents)		13.87	9.92
— Diluted (HK cents)		<u>N/A</u>	<u>N/A</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

	For the year ended	
	31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	<u>122,755</u>	<u>86,762</u>
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss</i>		
Surplus on revaluation of leasehold lands	15,080	11,279
Income tax on items that will not be reclassified to profit or loss	<u>11,491</u>	<u>(3,714)</u>
	<u>26,571</u>	<u>7,565</u>
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translating foreign operations	<u>48,840</u>	<u>(12,953)</u>
Other comprehensive income for the year, net of tax	<u>75,411</u>	<u>(5,388)</u>
Total comprehensive income for the year	<u>198,166</u>	<u>81,374</u>
Attributable to		
Owners of the Company	198,212	83,616
Non-controlling interests	<u>(46)</u>	<u>(2,242)</u>
	<u>198,166</u>	<u>81,374</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		519,816	504,054
Right-of-use assets		248,214	224,525
Club membership		718	718
Investments in associates		8,691	8,953
Financial assets at FVTOCI		—	—
Deposits paid for acquisition of property, plant and equipment		18,464	7,894
Deferred tax assets		121	149
		<u>796,024</u>	<u>746,293</u>
Current assets			
Inventories		180,666	215,957
Right of return assets		90	111
Trade and bills receivables	<i>10</i>	394,276	340,524
Contract assets		12,598	17,731
Prepayments, deposits and other receivables		47,637	47,407
Due from associates		259	16
Current tax assets		6,834	3,260
Restricted bank balances		1,975	1,835
Bank and cash balances		256,686	262,252
		<u>901,021</u>	<u>889,093</u>
Current liabilities			
Trade payables	<i>11</i>	189,319	209,014
Contract liabilities		14,031	1,005
Refund liabilities		240	241
Other payables and accruals		99,093	82,572
Due to associates		—	1,305
Derivative financial instruments		1,341	—
Bank borrowings		106,958	201,532
Lease liabilities		9,033	5,681
Current tax liabilities		13,374	35,807
		<u>433,389</u>	<u>537,157</u>
Net current assets		<u>467,632</u>	<u>351,936</u>
Total assets less current liabilities		<u>1,263,656</u>	<u>1,098,229</u>

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Non-current liabilities		
Bank borrowings	46,500	57,514
Lease liabilities	9,045	5,908
Deferred tax liabilities	28,803	26,852
	<u>84,348</u>	<u>90,274</u>
NET ASSETS	<u>1,179,308</u>	<u>1,007,955</u>
Capital and reserves		
Share capital	89,376	89,376
Reserves	1,074,614	903,215
	<u>1,163,990</u>	<u>992,591</u>
Equity attributable to owners of the Company	1,163,990	992,591
Non-controlling interests	15,318	15,364
	<u>1,179,308</u>	<u>1,007,955</u>
TOTAL EQUITY	<u>1,179,308</u>	<u>1,007,955</u>

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 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 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 Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

Amendments to HKFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. The application of the amendments had no impact on the consolidated financial statements as similar conclusion would have been reached without applying the optional concentration test.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reform.

The amendments had no impact on the consolidated financial statements of the Group as the Group's designated hedged items/assessment of hedge effectiveness is not affected by the interest rate benchmark reform.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2020. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have impact on the consolidated financial statements. As the Group has not completed its assessment, further impacts may be identified in due course.

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.

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, corporate income, share of losses of associates, gain on disposal of a subsidiary, gain on disposal of associates, net fair value loss on derivative financial instruments, corporate expenses, finance costs and income tax expense.

Information about the reportable segment profit or loss:

	Zinc alloy die casting <i>HK\$'000</i>	Magnesium alloy die casting <i>HK\$'000</i>	Aluminium alloy die casting <i>HK\$'000</i>	Plastic injection <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2020						
Revenue from external customers	111,498	417,495	112,859	783,500	43,885	1,469,237
Segment profit/(loss)	7,616	57,905	7,558	112,054	(13,697)	171,436
Depreciation and amortisation	9,981	25,845	5,442	43,406	4,424	89,098
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Zinc alloy die casting <i>HK\$'000</i>	Magnesium alloy die casting <i>HK\$'000</i>	Aluminium alloy die casting <i>HK\$'000</i>	Plastic injection <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2019						
Revenue from external customers	158,745	496,168	140,665	714,815	43,971	1,554,364
Segment profit/(loss)	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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Reconciliation of reportable segment revenue, profit or loss:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue		
Total revenue of reportable segments	1,469,237	1,554,364
Unallocated amounts	—	—
Consolidated revenue	<u>1,469,237</u>	<u>1,554,364</u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit or loss		
Total profit of reportable segments	171,436	120,240
Unallocated amounts:		
Share of losses of associates	(872)	(810)
Gain on disposal of a subsidiary	9	—
Gain on disposal of associates	350	—
Net fair value loss on derivative financial instruments	(2,128)	—
Interest income	816	747
Finance costs	(6,840)	(11,536)
Income tax expense	(31,295)	(14,569)
Corporate income	144	293
Corporate expenses	(8,865)	(7,603)
Consolidated profit for the year	<u>122,755</u>	<u>86,762</u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other material items — depreciation and amortisation		
Total depreciation and amortisation of reportable segments	89,098	86,604
Unallocated amounts:		
Depreciation of property, plant and equipment and right-of-use assets for corporate use	<u>2,314</u>	<u>2,179</u>
Consolidated depreciation and amortisation	<u>91,412</u>	<u>88,783</u>

Geographical information:

	Revenue	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	124,656	162,722
People's Republic of China (the "PRC"), except Hong Kong	611,992	636,311
Japan	8,763	16,969
USA	644,658	619,770
Others	79,168	118,592
	<u>1,469,237</u>	<u>1,554,364</u>
Consolidated total	<u>1,469,237</u>	<u>1,554,364</u>

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% (2019: less than 10%) of the aggregate amount of all segments.

Revenue from major customers:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Zinc alloy die casting segment		
Customer a	47,744	73,381
Customer b	48,913	37,432
Magnesium alloy die casting segment		
Customer c	41,285	46,611
Customer e	271,510	338,475
Aluminium alloy die casting segment		
Customer a	40,245	71,554
Customer e	—	9
Plastic injection segment		
Customer b	51,774	65,901
Customer d	637,751	560,592
	<u>637,751</u>	<u>560,592</u>

5. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income on bank deposits	816	747
Insurance compensation	—	733
Rental income	586	502
Reimbursement from customers	4,898	12,212
Compensation from suppliers	—	68
Sales of scrap materials	2,401	3,823
Sales of raw materials	164	195
Government grants	13,596	7,881
Others	2,694	5,323
	<u>25,155</u>	<u>31,484</u>

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest expenses on lease liabilities	651	408
Interest expenses on bank borrowings	6,189	11,128
	<u>6,840</u>	<u>11,536</u>

7. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	12,150	16,920
(Over)/Under provision in prior years	(529)	1,776
Current tax — income tax outside Hong Kong		
Provision for the year	3,680	4,785
Over provision in prior years	(1,486)	(3,727)
Current tax — PRC dividend withholding tax for the year	5,796	—
Deferred tax	11,684	(5,185)
	<u>31,295</u>	<u>14,569</u>

Under the two-tiered profits tax regime, the first HK\$2 million of assessable profits of qualifying group entity established in Hong Kong is lowered to 8.25% (2019: 8.25%), and assessable profits above HK\$2 million will be subject to the tax rate of 16.5% (2019: 16.5%). For the other Hong Kong established subsidiaries, Hong Kong Profits Tax has been provided at a rate of 16.5% (2019: 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% (2019: 25%).

Two of the Group’s subsidiaries registered in the PRC are recognised as High and New Technology Enterprises which have been granted tax concessions by local tax bureau and are entitled to PRC Enterprises Income Tax at concessionary rate of 15% during the reporting period.

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. DIVIDENDS

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
2020 Interim dividend of HK\$1.0 cents (2019: Nil) per ordinary share	8,938	—
2019 Final dividend of HK2.0 cents (2019: 2018 Final dividend of HK3.5 cent) per ordinary share	<u>17,875</u>	<u>31,282</u>
	<u><u>26,813</u></u>	<u><u>31,282</u></u>

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2020 of HK3.0 cents per share totaling approximately HK\$26,813,000 has been proposed by the Board of the Company and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

9. EARNINGS PER SHARE

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

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	<u>123,991</u>	<u>88,705</u>
	2020	2019
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	<u>893,761,400</u>	<u>893,761,400</u>

No diluted earnings per share are presented as the Company did not have any dilutive potential shares for the financial years ended 31 December 2020 and 2019.

10. TRADE AND BILLS RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	390,881	340,524
Bills receivables	3,395	—
	<u>394,276</u>	<u>340,524</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	173,159	127,728
31 to 60 days	108,461	95,767
61 to 90 days	87,624	48,495
91 to 180 days	21,460	68,429
Over 180 days	767	448
	<u>391,471</u>	<u>340,867</u>
Less: Allowance for bad and doubtful debts	<u>(590)</u>	<u>(343)</u>
	<u><u>390,881</u></u>	<u><u>340,524</u></u>

As at 31 December 2020, total bills received amounted to approximately HK\$3,395,000 (2019: Nil) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

11. TRADE PAYABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	80,976	68,995
31 to 60 days	53,568	63,427
61 to 90 days	31,903	38,897
91 to 180 days	14,456	32,385
Over 180 days	8,416	5,310
	<u>189,319</u>	<u>209,014</u>

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Financial Review

The outbreak of COVID-19 pandemic in 2020 had brought various challenges and uncertainties for the global market as suspension of economic activities has weakened the worldwide consumer market demand. Against this backdrop, the Group's overall revenue for the year ended 31 December 2020 (the "Year") decreased mildly by approximately 5.5% to HK\$1,469,237,000 (2019: HK\$1,554,364,000) when compared with the previous year. However, notwithstanding the tough business environment for the Year, the Group has achieved a year-on-year increase of 39.8% in the consolidated profit attributable to owners of the Company from HK\$88,705,000 in 2019 to HK\$123,991,000 mainly due to (i) an increase in operational efficiency and gross profit margin 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; (ii) a decrease in the Group's operating cost due to continuous improvement in process and product mix, which has led to a drop in cost of sales; and (iii) one-off utility and government subsidies received by the Group in China and in Hong Kong during the Year as a result of COVID-19 pandemic, as well as the satisfactory progress of the Group's resumption of operations after the Group had received permission from the relevant authorities in China. The Group's gross profit for the Year also increased by approximately 4.8% to HK\$447,303,000 (2019: HK\$426,671,000) and gross profit margin was approximately 30.4% (2019: 27.4%).

The Group's EBITDA, computed as profit before tax, depreciation, amortisation and finance costs, amounted to HK\$252,302,000 (2019: HK\$201,650,000).

(B) Business Review

Plastic injection moulding business

Benefitting from the increase in market demand for mobile devices and its accessories due to quarantine and social distancing measures imposed by various countries as a result of COVID-19 pandemic, the revenue of plastic injection moulding business segment had recorded an increase of approximately 9.6% to HK\$783,500,000 (2019: HK\$714,815,000), which accounted for approximately 53.3% (2019: 46.0%) of the Group's overall revenue. The Group will continue to further expand its customer portfolio and product solutions to maintain the growth momentum of this business segment.

Magnesium alloy die casting business

During the COVID-19 pandemic, the revenue of the magnesium alloy die casting business for the Year dropped by approximately 15.9% to HK\$417,495,000 (2019: HK\$496,168,000), accounting for approximately 28.4% of the Group's overall revenue (2019: 31.9%). In view of the increasing application of lightweight components in new energy vehicles, the Group has always committed to the development of magnesium alloy materials and advanced molding technology in order to increase the application of automobile and precision components, and to realise the growth potential for magnesium alloy die casting business in the future development of new energy vehicles.

Aluminium alloy die casting business

During the Year under review, the revenue of the aluminium alloy die casting business was approximately HK\$112,859,000 (2019: HK\$140,665,000), representing an approximately 19.8% decrease when compared with that of the previous year. This business segment accounts for approximately 7.7% of the Group's overall revenue (2019: 9.0%). The Group will continue to explore different applications of aluminium alloy with an aim to expand its customer base and enlarge the market share.

Zinc alloy die casting business

Due to the sluggish consumer demand caused by COVID-19 pandemic, the revenue of the zinc alloy die casting business for the Year was HK\$111,498,000 (2019: HK\$158,745,000), representing a decrease of approximately 29.8% when compared with that of 2019. This business segment accounted for approximately 7.6% of the Group's overall revenue (2019: 10.2%). The Group will continuously broaden its customer portfolio in order to increase the revenue derived from this business segment.

Others

The revenue of other businesses (trading of lighting products and home appliances and provision of motor vehicle repairing services) dropped by approximately 0.2% to HK\$43,885,000 (2019: HK\$43,971,000) when compared with that of the previous year. This business segment accounted for approximately 3.0% of the Group's overall revenue (2019: 2.8%).

(C) Prospects

The outbreak of the COVID-19 pandemic and the subsequent measures imposed by different countries had impacted the Group's operation in 2020, and the unpredictability associated with the global pandemic and any further emergency prevention and control measures that may be implemented by governments may also lead to new challenges in 2021. However, we anticipate that there will be a trend for recovery across different industries in 2021, as vaccination programs are gradually implemented and the market gradually adapts to the new norms under the pandemic. The Group will continue to stay vigilant in the ever-changing market while reinforcing its competitive edges in innovation, especially in the field of light material application and precision mould development, and timely prepare for business rebound once market condition improves.

With increased effort and determination from the Chinese government to promote "green commuting", along with the goal to have all new car sales in China to be eco-friendly and improve the energy efficiency and travel distance of vehicles, the Group will devote more resources into research and development to create higher quality material and advanced production technologies to satisfy the needs for durable and light weight material solutions and solidify the Group's leading position in the industry.

Despite the challenges and disruption caused, the pandemic has introduced new ways of life to the society. One of these is the rapid transition towards digitalisation, where remote working and studying has become a new norm for daily life, and social distancing measures have boosted the use of online communication through electronic devices. In addition, the improving internet infrastructure and speed have also propagated the trend of personal computer replacement, especially evident for users are who are looking for advanced hardware upgrades. Based on these factors, we remain cautiously optimistic about the market demand for personal computers for 2021. On the other hand, the roll-out of comprehensive 5G network worldwide is expected to sustain the smart device replacement trend for the foreseeable future, thus bringing market demand for smart devices. The Group will continue to maintain its research and development efforts to contribute to the rapid development of smart devices.

Facing the international trend on focusing on environmental protection and sustainable development, with more stringent requirements on environmental protection being promulgated by governments, the Group has committed to promoting green production technologies and it is expected these technologies will be launched to the market in this year gradually.

The outbreak of COVID-19 pandemic in early 2020 has caused a surge in demand for anti-pandemic products. The Group will apply a biocide-free plastic antibacterial material, is germ repellent and is safe for use in personal health care products. We will continue to develop the application of germ repellent plastic in different fields, and will create new value for the sales platform of our own brand.

Ka Shui has accumulated industry insight and technical experience through years of effort. Moving forward, our Group will continue to focus on delivering best-in-class product development solutions for customers in various industries by enhancing our capability in research and development and further enriching our people-oriented corporate culture through acquisition and cultivation of talents. We will also place significant emphasis on client rapport building in their new product development and business ideas in order to provide timely advice on material and production technology to ensure a cost-efficient execution plan. In terms of internal optimisation, through the implementation of “Industry 4.0”, the Group aims to achieve data management and smart manufacturing, and we will also apply real time analysis to management decision-making and improve internal production efficiency. Moreover, the Group strives to further strengthen the Group’s business operations and financial position by seeking investment and development opportunities that would broaden the Group’s existing business portfolio and its sources of income, and will endeavour to strive for sustainable development through its strong customer relationships and 40 years of hands-on experience.

(D) Liquidity and Financial Resources

As at 31 December 2020, the Group had restricted bank balances as well as bank and cash balances of approximately HK\$258,661,000 (2019: HK\$264,087,000), most of which were denominated in either US dollars, Renminbi or Hong Kong dollars.

The interest-bearing borrowings of the Group as at 31 December 2020 were all bank loans with an aggregate amount of approximately HK\$153,458,000 (2019: HK\$259,046,000). All of these borrowings were denominated in Hong Kong dollars and Euros (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\$40,997,000, HK\$65,961,000 and HK\$46,500,000 respectively (2019: HK\$201,532,000, HK\$nil and HK\$57,514,000 respectively).

As at 31 December 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\$105,203,000 (2019: net cash of HK\$5,041,000).

As at 31 December 2020, the net current assets of the Group were approximately HK\$467,632,000 (2019: HK\$351,936,000), which consisted of current assets of approximately HK\$901,021,000 (2019: HK\$889,093,000) and current liabilities of approximately HK\$433,389,000 (2019: HK\$537,157,000), representing a current ratio of approximately 2.1 (2019: 1.7).

(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 2020, the Group had no material contingent liabilities.

(G) Charge on Assets

As at 31 December 2020, none of the assets of the Group were pledged.

(H) Human Resources

As at 31 December 2020, the Group had approximately 4,400 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 as incentives and rewards for those qualifying staff who have made contributions to the Group.

The Group provides regular training courses for different levels of staff and holds various training programs together with PRC institutes and external training bodies. Apart from academic and technical training, the Group also organises different kinds of recreational activities, including New Year gathering, various sports competitions and interest groups. The aim is to promote interaction among staff, establish a harmonious team spirit and promote a healthy lifestyle.

FINAL DIVIDEND

The Board had recommended the payment of a final dividend of HK3.0 cents per share for the year ended 31 December 2020 to the shareholders whose names appear on the register of members of the Company on Thursday, 10 June 2021. Subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on Monday, 31 May 2021, the final dividend will be paid on or about Friday, 18 June 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 26 May 2021 to Monday, 31 May 2021, both days inclusive, during which no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all share transfer documents accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 25 May 2021.

The register of members will be closed from Monday, 7 June 2021 to Thursday, 10 June 2021, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the final dividend, all share transfer documents accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 4 June 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

SCOPE OF WORK OF RSM HONG KONG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditors, Messrs. RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements

or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Messrs. RSM Hong Kong on this announcement.

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**”) other than 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. Mr. Lee Yuen Fat (“**Mr. Lee**”), the Chairman and an executive director of the Company, has temporarily taken up the duties of CEO after Mr. Leung King Kwok, Godfrey *SBS* has resigned from his position as CEO of the Company with effect from 31 December 2020 until a suitable candidate is appointed. After the appointment of Mr. Chu Weiman (“**Mr. Chu**”) as the CEO of the Company with effect from 1 February 2021, 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. Chu’s appointment, the Company has recomplied 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. Chu, 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*.

RISK MANAGEMENT COMMITTEE

The Company has set up the Risk Management Committee with terms of reference in October 2020. The main responsibilities of the Risk Management Committee include monitoring and reviewing the process of the risk management and internal control, and advising the Board on the appropriateness, effectiveness of and the proposed improvements to be made to the existing risk management and internal control systems; providing recommendations to the management on risk management and internal control, and setting up procedures to unveil, assess and manage material risk factors and ensure management discharges its responsibility to implement effective risk management and internal control systems; and reviewing with the Group's management, external auditor and the internal audit function, the adequacy of the Group's policies and procedures regarding risk management and internal control systems and any relevant statement by the directors to be included in the annual accounts prior to their endorsement by the Board. The Risk Management Committee comprises the Chief Executive Officer of the Company (currently Mr. Chu) as its chairman, and Director of Manufacturing (namely Mr. Wong Wing Chuen), Director of Operations (namely Ms. Chan So Wah), Director of Sales and Marketing and Director of Finance and Corporate Strategy as its members.

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 2020.

REVIEW OF FINANCIAL INFORMATION

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

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

Hong Kong, 29 March 2021

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.