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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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

	For the six months ended		+ / (-)
	30 June		
	2021	2020	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
	(unaudited)	(unaudited)	
<b>FINANCIAL HIGHLIGHTS</b>			
<b>RESULTS</b>			
Revenue	<b>720,389</b>	616,265	16.9%
Gross profit	<b>205,925</b>	183,728	12.1%
Profit attributable to owners of the Company	<b>51,527</b>	51,026	1.0%
EBITDA	<b>110,294</b>	111,493	(1.1%)
<b>PER SHARE DATA</b>			
Earnings per share for profit attributable to owners of the Company			
– Basic ( <i>HK cents</i> )	<b>5.77</b>	5.71	1.1%
– Diluted ( <i>HK cents</i> )	<b>N/A</b>	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 2021, together with the comparative figures for the corresponding period in 2020.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Note</i>	For the six months ended 30 June	
		2021 <i>HK\$’000</i> (unaudited)	2020 <i>HK\$’000</i> (unaudited)
<b>Revenue</b>	4	720,389	616,265
Cost of sales		<u>(514,464)</u>	<u>(432,537)</u>
Gross profit		205,925	183,728
Other income	5	16,649	13,863
Loss on deregistration of a subsidiary		(100)	–
Selling and distribution expenses		(15,999)	(12,723)
General and administrative expenses		(137,595)	(118,768)
Other operating expenses and income		<u>(3,763)</u>	<u>3,505</u>
<b>Profit from operations</b>		65,117	69,605
Finance costs	6	(2,494)	(4,371)
Share of loss of associates		<u>(141)</u>	<u>(513)</u>
Profit before tax		62,482	64,721
Income tax expense	7	<u>(12,072)</u>	<u>(13,903)</u>
<b>Profit for the period</b>	8	<u><u>50,410</u></u>	<u><u>50,818</u></u>
<b>Attributable to</b>			
Owners of the Company		51,527	51,026
Non-controlling interests		<u>(1,117)</u>	<u>(208)</u>
		<u><u>50,410</u></u>	<u><u>50,818</u></u>
<b>Earnings per share</b>			
– Basic ( <i>HK cents</i> )	10(a)	<u><u>5.77</u></u>	<u><u>5.71</u></u>
– Diluted ( <i>HK cents</i> )	10(b)	<u><u>N/A</u></u>	<u><u>N/A</u></u>

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Profit for the period</b>	<b>50,410</b>	50,818
<b>Other comprehensive income:</b>		
<i>Items that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<b>(1,028)</b>	(14,114)
Release of translation reserve upon deregistration of a subsidiary	<b>(100)</b>	–
<b>Other comprehensive income for the period, net of tax</b>	<b>(1,128)</b>	(14,114)
<b>Total comprehensive income for the period</b>	<b>49,282</b>	36,704
<b>Attributable to</b>		
Owners of the Company	<b>50,558</b>	37,220
Non-controlling interests	<b>(1,276)</b>	(516)
	<b>49,282</b>	36,704

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment		514,671	519,816
Right-of-use assets		240,884	248,214
Club membership		718	718
Investment in an associate		8,551	8,691
Deposits paid for acquisition of property, plant and equipment		16,679	18,464
Deferred tax assets		121	121
		781,624	796,024
<b>Current assets</b>			
Inventories		220,763	180,666
Right of return assets		87	90
Trade and bills receivables	11	373,367	394,276
Contract assets		16,225	12,598
Prepayments, deposits and other receivables		65,904	47,637
Due from an associate		207	259
Current tax assets		2,080	6,834
Restricted bank balances		1,978	1,975
Bank and cash balances		242,893	256,686
		923,504	901,021
<b>Current liabilities</b>			
Trade payables	12	211,611	189,319
Contract liabilities		17,680	14,031
Refund liabilities		240	240
Lease liabilities		8,370	9,033
Other payables and accruals		92,783	99,093
Derivative financial instruments		2,486	1,341
Bank borrowings		80,928	106,958
Current tax liabilities		23,012	13,374
		437,110	433,389
<b>Net current assets</b>		486,394	467,632
<b>Total assets less current liabilities</b>		1,268,018	1,263,656

	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
<b>Non-current liabilities</b>		
Bank borrowings	31,500	46,500
Lease liabilities	5,938	9,045
Deferred tax liabilities	28,803	28,803
	<u>66,241</u>	<u>84,348</u>
<b>NET ASSETS</b>	<u><u>1,201,777</u></u>	<u><u>1,179,308</u></u>
<b>Capital and reserves</b>		
Share capital	89,376	89,376
Reserves	1,098,359	1,074,614
	<u>1,187,735</u>	<u>1,163,990</u>
Equity attributable to owners of the Company	1,187,735	1,163,990
Non-controlling interests	14,042	15,318
	<u>1,201,777</u>	<u>1,179,308</u>
<b>TOTAL EQUITY</b>	<u><u>1,201,777</u></u>	<u><u>1,179,308</u></u>

## 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 2021, 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 of Hong Kong Limited (the "**Listing Rules**").

These condensed consolidated financial statements should be read in conjunction with the 2020 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 2020.

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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 2020. In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021 but they do not have a material effect on the Group's financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

#### 4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of zinc, magnesium and aluminum 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 (2020: seven) operating divisions – zinc, magnesium, aluminum 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 <i>HK\$'000</i> (unaudited)	Magnesium alloy die casting <i>HK\$'000</i> (unaudited)	Aluminum alloy die casting <i>HK\$'000</i> (unaudited)	Plastic injection <i>HK\$'000</i> (unaudited)	Others <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<b>For the six months ended</b>						
<b>30 June 2021</b>						
Revenue from external customers	75,441	193,469	63,694	365,082	22,703	720,389
Segment profit/(loss)	<u>2,444</u>	<u>25,088</u>	<u>3,732</u>	<u>38,522</u>	<u>(2,658)</u>	<u>67,128</u>
	Zinc alloy die casting <i>HK\$'000</i> (unaudited)	Magnesium alloy die casting <i>HK\$'000</i> (unaudited)	Aluminum alloy die casting <i>HK\$'000</i> (unaudited)	Plastic injection <i>HK\$'000</i> (unaudited)	Others <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<b>For the six months ended 30 June 2020</b>						
Revenue from external customers	47,986	210,027	48,796	286,170	23,286	616,265
Segment profit	<u>1,668</u>	<u>28,311</u>	<u>2,994</u>	<u>39,753</u>	<u>205</u>	<u>72,931</u>

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Reconciliation of reportable segment profit:</b>		
Total profit of reportable segments	67,128	72,931
Unallocated amounts:		
Interest income	684	447
Share of losses of associates	(141)	(513)
Finance costs	(2,494)	(4,371)
Corporate expenses	(2,695)	(3,773)
Income tax expense	(12,072)	(13,903)
	<u>50,410</u>	<u>50,818</u>

## 5. OTHER INCOME

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest income	684	447
Reimbursement from customers	4,108	3,673
Sales of scrap materials	5,611	1,246
Government grants	3,499	7,618
Others	2,747	879
	<u>16,649</u>	<u>13,863</u>

## 6. FINANCE COSTS

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest expenses on bank borrowings	2,136	4,189
Interest expenses on lease liabilities	358	182
	<u>2,494</u>	<u>4,371</u>



## 7. INCOME TAX EXPENSE

	For the six months ended	
	30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	5,940	5,855
Current tax – Income tax outside Hong Kong		
Provision for the period	6,132	(517)
Deferred tax	–	8,565
	<u>12,072</u>	<u>13,903</u>

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 2020: 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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	37,408	36,556
Depreciation of right-of-use assets	7,909	5,845
Loss on disposal of property, plant and equipment	1,088	510
Property, plant and equipment written off	1,523	337
Interest income	(684)	(447)
Bad debt written off	–	63
Reversal of allowance for inventories	–	(4,415)
Research and development expenditure	19,781	16,928

## 9. DIVIDENDS

	For the six months ended	
	30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Dividends paid during the period		
Final dividend for the year ended 31 December 2020:		
HK3.0 cents per ordinary share (Final dividend for the year ended 31 December 2019: HK2.0 cents per ordinary share)	<u>26,813</u>	<u>17,875</u>

Subsequent to the reporting period, the Board declared the payment of an interim dividend in respect of the six months ended 30 June 2021 of HK1.0 cent (2020: HK1.0 cent) per ordinary share, totaling approximately HK\$8,938,000 (2020: HK\$8,938,000). The interim dividend for the six months ended 30 June 2021 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 2021 of approximately HK\$51,527,000 (six months ended 30 June 2020: HK\$51,026,000) and the weighted average number of ordinary shares of 893,761,400 (30 June 2020: 893,761,400) in issue during six months ended 30 June 2021.

### (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 2021 and 2020.

## 11. TRADE AND BILLS RECEIVABLES

	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
Trade receivables	366,529	390,881
Bills receivables	<u>6,838</u>	<u>3,395</u>
	<u><u>373,367</u></u>	<u><u>394,276</u></u>

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 120 days (31 December 2020: 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 2021, based on the invoice date, and net of allowance, is stated as follows:

	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
0 to 30 days	200,103	173,159
31 to 60 days	75,860	108,461
61 to 90 days	71,566	87,624
91 to 180 days	19,224	21,460
Over 180 days	366	767
Less: allowance for bad and doubtful debts	<u>(590)</u>	<u>(590)</u>
	<u><u>366,529</u></u>	<u><u>390,881</u></u>

## 12. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days (31 December 2020: 30 to 90 days) from its suppliers. The ageing analysis of trade payables as at 30 June 2021, based on the date of receipt of goods, is as follows:

	<b>As at 30 June 2021 HK\$'000 (unaudited)</b>	<b>As at 31 December 2020 HK\$'000 (audited)</b>
0 to 30 days	<b>81,029</b>	80,976
31 to 60 days	<b>56,175</b>	53,568
61 to 90 days	<b>38,757</b>	31,903
91 to 180 days	<b>28,122</b>	14,456
Over 180 days	<b>7,528</b>	8,416
	<b>211,611</b>	189,319

## 13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period'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 persistent COVID-19 pandemic has catalysed the acceleration of digital transformations and the demand for mobile devices surged due to the need for work from home and remote learning. As a result, the Group's revenue for the six months ended 30 June 2021 (the "Period") recorded an increase of approximately 16.9% to HK\$720,389,000 (2020 first half: HK\$616,265,000) when compared with the same period last year. During the Period, the Group's gross profit also grew by approximately 12.1% to HK\$205,925,000 (2020 first half: HK\$183,728,000) and gross profit margin was 28.6% (2020 first half 29.8%).

The consolidated profit attributable to owners of the Company for the Period was HK\$51,527,000 (2020 first half: HK\$51,026,000). In the first half of 2020, the Group received one-off utility and government subsidies due to COVID-19 pandemic, leading to an increase in the consolidated profit attributable to owners of the Company for that period. However, the Group has not received the relevant subsidies for the Period. The Group's EBITDA, computed as profit before tax, depreciation, amortisation of intangible assets and finance costs, amounted to approximately HK\$110,294,000 (2020 first half: HK\$111,493,000).

### (B) Business Review

#### *Plastic injection moulding business*

Driven by the booming mobile device market in the first half of 2021, the revenue of plastic injection moulding business had recorded an increase by approximately 27.6% to HK\$365,082,000 (2020 first half: HK\$286,170,000) as compared with the previous corresponding period. The contribution of this business segment to the Group's total revenue had also grown from 46.4% in the first half of 2020 to approximately 50.7% in the first half of 2021. As the shipment of mobile devices is expected to increase, the demand for mobile device accessories will continue to grow in future. The Group will strive to acquire more customers by providing quality products and services in order to secure more new project orders for plastic injection and precision products.

### ***Magnesium alloy die casting business***

Affected by the unstable global transportation and logistics and shortage of critical components of notebook computers, the revenue of magnesium alloy die casting business for the six months ended 30 June 2021 decreased by approximately 7.9% to HK\$193,469,000 (2020 first half: HK\$210,027,000), accounting for approximately 26.9% of the Group's overall revenue (2020 first half: 34.1%). Apart from notebook computer casings, the Group will continue to explore different applications of magnesium alloy in precision component, automotive and construction industry through magnesium alloy material modification with an aim to enlarge its market share and expand its customer base.

### ***Zinc alloy die casting business***

As a result of gradual economic recovery, the revenue of zinc alloy die casting business has achieved a significant growth by approximately 57.2% to HK\$75,441,000 (2020 first half: HK\$47,986,000) as compared with the same period last year, accounting for approximately 10.5% (2020 first half: 7.8%) of the Group's overall revenue. The Group will actively optimise and improve its production technology and promote automation in production to enhance the profitability of this business segment.

### ***Aluminium alloy die casting business***

During the Period, the revenue of aluminum alloy die casting business increased by approximately 30.5% to HK\$63,694,000 (2020 first half: HK\$48,796,000) due to an increase in market demand for consumer products. This segment accounted for approximately 8.8% of the Group's overall revenue (2020 first half: 7.9%). The Group will continue to focus on the research and development of different applications of aluminium alloy to increase the revenue derived from this business segment.

### ***Others***

The revenue during the Period of other businesses (including trading of lighting products and home appliances as well as provision of motor vehicle repairing services) decreased by approximately 2.5% to HK\$22,703,000 (2020 first half: HK\$23,286,000).

## (C) Prospects

Heading into the second half of 2021, business operations in major economies have adapted to the new norms with large-scale vaccination of the wider population ongoing. However, the spread of different variants of the COVID-19 virus, together with the continuing geopolitical tensions and uncertainties to international trade and transportation and logistics, may hinder the full recovery of the major economies. Under such circumstances, the Group remains cautiously optimistic in its business prospects and continue to maintain financially healthy to persist in the prolonged recovery, while taking new opportunities to reinforce its advantages in innovations in new materials and technologies to create values for its customers.

Carbon neutrality has become a central topic in China since the Chinese government's announcement last year of targeting to reach carbon neutrality by 2060. This has provided new impetus to speed up the development of China's new energy vehicles industry. Sales of new energy vehicles are forecasted to rise to 20% of overall new car sales by 2025 from merely 5% in 2020, according to the Chinese's 14th five-year plan through to 2025. Since last year, the growth rate of new energy vehicles sales has been better than that of the overall automobile market. In addition, coupled with the emphasis on the development of lightweight, electrified, intelligent and connected vehicles of the automobile industry, the Group's revenue from auto parts has continued to increase year-on-year. The application of the Group's magnesium alloy materials to new energy vehicles will help the vehicles achieve lighter weights and longer travel distances, and the high thermal conductivity magnesium alloy developed by the Group through modification of the current material is also more suitable for auto parts that require higher heat dissipation due to smart vehicles and electrification. In this regard, the Group will continue to develop a wider range of modified magnesium alloy material solutions, including high-strength, high-toughness and high-flow magnesium alloy in order to match the wide range of applications in automotive electrical instrument parts, body structural parts, chassis parts and three electrical system – battery, electric machine and electrically control components. The Group will carry out in-depth development jointly with automobile brands for large scale magnesium alloy components while adopting large scale die casting technology at the same time. The Group is equipped with large scale die casting machines with different tonnage levels and will continue to focus on the integrated moulding solutions for auto parts with a view to simplifying the production process, thus resulting in reduction in cost and shortening of production lead time. Moreover, the Group's patented Micro Arc Oxidation (“MAO”) technology has been applied on its pilot production of magnesium alloy products. This proves that the eco-friendly surface treatment technology with exceptional corrosion resistance has gained wide recognition from the market. The Group will continue to devote resources to innovations in material modification and product development to strengthen its industry leadership.

Benefiting from the vaccination distribution efforts from various governments, companies have started to bring employees back to their offices or chosen to adopt a mixed mode of work. The market demand for personal notebook computers and other mobile devices have been increasing due to the corporate's initiative to improve staff mobility. Meanwhile, in order to grasp the trend of economic recovery in major economies, personal electronics brands have resumed their new product launch plans. As lightweight and multi-functionality devices continue to be the main focuses of personal electronics manufacturers, the Group will continue to closely cooperate with internationally renowned computer brands and mobile accessories brands to launch new products that fit consumers' desires. It is noteworthy that the Group's magnesium alloy product technology not only shows high thermal conductivity for heat dissipation in notebook computer casing, but its application has also been extended to 5G base stations to reduce energy consumption and extend the durability. With increasing adoption and coverage of 5G networks, the demand for the Group's magnesium parts for the higher transmission power base stations are on the rise and the Group's large scale die casting machine can also be used to produce large scale components for 5G base stations. The Group will persist in its efforts in product application extensions to different industries to expand its business scale and seize a larger market share.

Innovation, especially in material and technology solutions, is one of the core competencies of the Group to embrace the ever-changing market. The Group has applied 3D printing technology in its new product development process for its customers, and this technology greatly reduces the time and cost of product development. The Group will continue to explore new elements to enrich its product offerings. Internally, the Group has implemented "Industrial 4.0" standard to achieve a higher level of data analysis in its manufacturing system in the past years and the implementation of end-to-end real time production data management in the Group's production line and supply chain has also achieved significant progress in the improvement of internal production efficiency and cost structure. The Group will make further investments to enhance and optimise the data management and intelligent manufacturing setup in the long run. With its long-term commitment to innovations and the support of national policies, the Group will make good use of its advantage in innovations in new materials and technologies and industry expertise to further enhance its competitiveness and forge ahead this year.

#### **(D) Liquidity and Financial Resources**

The Group has adopted a prudent policy in financial resources management, maintaining an appropriate level of cash and cash equivalents as well as adequate facilities to meet the requirements of day-to-day operations and business development, at the same time controlling borrowings at a healthy level.



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 2021, the Group had restricted bank balances as well as bank and cash balances of approximately HK\$244,871,000 (31 December 2020: HK\$258,661,000), most of which were denominated in either US dollars, Renminbi or Hong Kong dollars.

The interest-bearing borrowings of the Group as at 30 June 2021 were all bank loans with an aggregate amount of approximately HK\$112,428,000 (31 December 2020: HK\$153,458,000). All of these borrowings were denominated in Hong Kong dollars or Euros (31 December 2020: Hong Kong dollars or Euros) 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 approximately HK\$34,500,000, HK\$46,428,000 and HK\$31,500,000 respectively (31 December 2020: HK\$40,997,000, HK\$65,961,000 and HK\$46,500,000 respectively).

As at 30 June 2021, 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 approximately HK\$132,443,000 (31 December 2020: net cash of HK\$105,203,000).

As at 30 June 2021, the net current assets of the Group was approximately HK\$486,394,000 (31 December 2020: HK\$467,632,000), which consisted of current assets of approximately HK\$923,504,000 (31 December 2020: HK\$901,021,000) and current liabilities of approximately HK\$437,110,000 (31 December 2020: HK\$433,389,000), representing a current ratio of approximately 2.1 (31 December 2020: 2.1).

#### **(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 the US dollars, the Renminbi and the Hong Kong dollars. Currently, the Group has not entered into any financial instrument for hedging purposes. However, 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 2021, the Group had no material contingent liabilities.

### **(G) Charge on Assets**

As at 30 June 2021, 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; and (b) corporate guarantees provided by the Company and certain subsidiaries of the Group.

### **(H) Material Acquisitions and Disposal**

For the six months ended 30 June 2021, the Group has not acquired or disposed any of its subsidiaries, associates or joint ventures.

### **(I) Human Resources**

As at 30 June 2021, the Group had approximately 4,600 full-time employees (31 December 2020: 4,600). The Group attributes its success to the hard work and dedication of all staff, therefore, they are deemed to be the most valuable assets of the Group. In order to attract and retain high caliber staff, the Group provides a competitive salary package, including retirement schemes, medical benefits and bonuses. The Group's remuneration policy and structure are determined based on market trends, the performance of individual staff as well as the financial performance of the Group. The Group has also adopted a share option scheme and a share award scheme 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 2021 payable on or about Thursday, 23 September 2021, to the shareholders whose names appear on the register of members of the Company on Wednesday, 15 September 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from Monday, 13 September 2021 to Wednesday, 15 September 2021, 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 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, 10 September 2021.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

For the six months ended 30 June 2021, 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 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 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. 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 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 2021.

## **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, 30 August 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.*