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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 2023

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2023	2022	+/(-)
	HK$'000	*HK$'000*	
	(unaudited)	(unaudited)	
RESULTS			
Revenue	**531,611**	693,717	(23.4%)
Gross profit	**103,136**	155,428	(33.6%)
(Loss)/profit attributable to owners of the Company	**(21,703)**	18,502	(217.3%)
EBITDA	**23,423**	72,302	(67.6%)
PER SHARE DATA			
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company			
— Basic *(HK cents)*	**(2.43)**	2.07	(217.4%)
— 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**" or "**Ka Shui**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2023	2022
		HK$'000	*HK$'000*
	Note	**(unaudited)**	(unaudited)
Revenue	*4*	**531,611**	693,717
Cost of sales		**(428,475)**	(538,289)
Gross profit		**103,136**	155,428
Other income	*5*	**12,654**	10,090
Impairment losses for trade receivables		**(1,357)**	—
Selling and distribution expenses		**(16,544)**	(17,798)
General and administrative expenses		**(114,592)**	(123,804)
Other operating expenses and income		**(4,643)**	(3,079)
(Loss)/profit from operations		**(21,346)**	20,837
Finance costs	*6*	**(2,056)**	(1,767)
Share of losses of associates		**(853)**	(472)
(Loss)/profit before tax		**(24,255)**	18,598
Income tax credit/(expense)	*7*	**1,493**	(3,836)
(Loss)/profit for the period	*8*	**(22,762)**	14,762
Attributable to			
Owners of the Company		**(21,703)**	18,502
Non-controlling interests		**(1,059)**	(3,740)
		(22,762)	14,762
(Loss)/earnings per share			
— Basic *(HK cents)*	*10*	**(2.43)**	2.07
— Diluted *(HK cents)*	*10*	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss)/profit for the period	**(22,762)**	14,762
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(11,678)**	(26,073)
Other comprehensive income for the period, net of tax	**(11,678)**	(26,073)
Total comprehensive income for the period	**(34,440)**	(11,311)
Attributable to		
Owners of the Company	**(33,166)**	(7,004)
Non-controlling interests	**(1,274)**	(4,307)
	(34,440)	(11,311)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2023 *HK$'000* (unaudited)	As at 31 December 2022 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**477,688**	492,350
Right-of-use assets		**257,716**	270,990
Goodwill		**2,654**	2,654
Other intangible assets		**3,161**	3,382
Club membership		**718**	718
Investments in associates		**8,877**	9,845
Equity investment at fair value through other comprehensive income (FVTOCI)		**10,989**	—
Non-current deposits		**32,967**	20,186
Deferred tax assets		**4,302**	4,364
		799,072	804,489
Current assets			
Inventories		**166,059**	192,525
Right of return assets		**55**	54
Trade and bills receivables	*11*	**323,475**	405,432
Contract assets		**10,437**	11,420
Prepayments, deposits and other receivables		**50,518**	43,764
Due from an associate		**546**	702
Current tax assets		**7,004**	6,261
Restricted bank balances		**1,836**	1,860
Bank and cash balances		**259,694**	244,153
		819,624	906,171

	Note	As at 30 June 2023 HK$'000 (unaudited)	As at 31 December 2022 HK$'000 (audited)
Current liabilities			
Trade payables	*12*	**161,740**	184,897
Contract liabilities		**13,435**	8,611
Refund liabilities		**243**	241
Other payables and accruals		**94,075**	92,863
Due to an associate		—	78
Derivative financial liabilities		**76**	935
Bank borrowings		**55,270**	68,835
Lease liabilities		**10,940**	11,807
Current tax liabilities		**2,813**	4,475
		338,592	372,742
Net current assets		**481,032**	533,429
Total assets less current liabilities		**1,280,104**	1,337,918
Non-current liabilities			
Loan from non-controlling interests		**971**	971
Lease liabilities		**7,762**	12,662
Deferred tax liabilities		**33,535**	34,009
		42,268	47,642
NET ASSETS		**1,237,836**	1,290,276
Capital and reserves			
Share capital		**89,376**	89,376
Reserves		**1,139,200**	1,194,091
Equity attributable to owners of the Company		**1,228,576**	1,283,467
Non-controlling interests		**9,260**	6,809
TOTAL EQUITY		**1,237,836**	1,290,276

NOTES TO THE 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 Windward 3, Regatta Office Park, PO Box 1350, 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 and plastic 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 2023, 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 2022 annual consolidated financial statements. Except as described below, 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 2022.

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

Deferred tax related to assets and liabilities arising from a single transaction

The Group has adopted Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences — e.g. leases.

Prior to the adoption of Amendments to HKAS 12, the Group applied the initial recognition exemption under paragraphs 15 and 24 of HKAS 12 for leasing transactions that give rise to equal and offsetting temporary differences, and therefore no deferred tax has been recognised for temporary differences relating to right-of-use assets and lease liabilities at initial recognition, and also over the lease terms under paragraph 22(c) of HKAS 12.

The Group has applied the transitional provisions under paragraphs 98K and 98L of Amendments to HKAS 12 to leasing transactions that occur on or after the beginning of the earliest comparative period presented and also, at the beginning of the earliest comparative period presented by:

(i) Recognising a deferred tax asset to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, and a deferred tax liability for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities; and

(ii) Recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Based on the management's assessment, there was immaterial impact on the condensed consolidated statement of financial position as at 1 January 2022, 31 December 2022 and 30 June 2023, because the deferred tax assets and the deferred tax liabilities recognised as a result of the adoption of Amendments to HKAS 12 qualify for offset under paragraph 74 of HKAS 12. There was also immaterial impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised. This disclosure will be provided in the annual financial statements.

The change in accounting policy will also be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2023.

In addition to the adoption of the above amendments to standards, in the current period, the Group has adopted all other 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 2023. They do not have a material effect on the Group's condensed consolidated interim financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 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 aluminium alloy and plastic products and components, trading of lighting products, production of smart home products, provision of motor vehicle repairing services, sales of special purpose vehicles, and provision of new energy vehicle power systems.

For management purposes, the Group's operation is currently categorised into seven (2022: seven) operating divisions — zinc, magnesium and aluminium alloy, plastic products and components, trading of lighting products, production of smart home products, provision of motor vehicles repairing services, sales of special purpose vehicles and provision of new energy vehicle power systems. 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, production of smart home products, provision of motor vehicles repairing services, sales of special purpose vehicles and provision of new energy vehicle power systems. 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, government grants, share of losses of associates, fair value gain/(loss) on derivative financial instruments, corporate expenses, finance costs and income tax credit/(expense).

Segment assets and liabilities are not reported or used by the chief operating decision maker.

An analysis of the Group's revenue and results for the period by reportable segment is as follows:

	Zinc alloy	**Magnesium alloy**	**Aluminium alloy**	**Plastic**	**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 2023						
Revenue from external customers	**36,007**	**159,106**	**117,548**	**190,213**	**28,737**	**531,611**
Segment (loss)/profit	**(2,509)**	**(9,542)**	**(791)**	**398**	**(4,712)**	**(17,156)**
Depreciation and amortisation	**2,990**	**11,048**	**5,170**	**21,616**	**861**	**41,685**
For the six months ended 30 June 2022						
Revenue from external customers	52,413	219,429	83,199	311,909	26,767	693,717
Segment profit/(loss)	539	10,473	2,797	16,073	(2,634)	27,248
Depreciation and amortisation	3,726	13,305	4,865	24,392	1,834	48,122

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Reconciliation of reportable segment profit or loss:		
Total (loss)/profit of reportable segments	**(17,156)**	27,248
Unallocated amounts:		
Share of losses of associates	**(853)**	(472)
Net fair value gain/(loss) on derivative financial instruments	**872**	(133)
Interest income	**2,598**	292
Finance costs	**(2,056)**	(1,767)
Government grants	**2,943**	1,922
Corporate expenses	**(10,603)**	(8,492)
Income tax credit/(expense)	**1,493**	(3,836)
Consolidated (loss)/profit for the period	**(22,762)**	14,762

5. OTHER INCOME

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income	**2,598**	292
Reimbursement from customers	**1,791**	2,234
Sales of scrap materials	**2,435**	2,451
Government grants	**2,943**	1,922
Others	**2,887**	3,191
	12,654	10,090

6. FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest expenses on bank borrowings	**1,709**	1,215
Interest expenses on lease liabilities	**347**	552
	2,056	1,767

7. INCOME TAX (CREDIT)/EXPENSE

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax — Hong Kong Profits Tax		
Provision for the period	**15**	5,529
Over-provision in prior years	**(2,177)**	(2,724)
Current tax — Income tax outside Hong Kong		
Provision for the period	**733**	899
Under-provision in prior years	**219**	132
Deferred tax	**(283)**	—
	(1,493)	3,836

Under the two-tiered Profits Tax regime, the first HK$2 million of profits of qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profits Tax rate regime will continue to be taxed at a rate of 16.5% (six months ended 30 June 2022: 16.5%). Income tax on overseas profit has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing on the overseas countries in which the Group operates.

8. (LOSS)/PROFIT FOR THE PERIOD

The Group's (loss)/profit for the period is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Cost of inventories sold *(note (b))*	**382,974**	503,500
Allowance for inventories, net *(note (a))*	**3,097**	—
Amortisation of intangible assets	**221**	232
Bad debts written off *(note (a))*	**325**	—
Depreciation of property, plant and equipment	**36,229**	42,884
Depreciation of right-of-use assets	**9,172**	8,821
Impairment loss on property, plant and equipment *(note (a))*	**407**	—
Impairment loss on right-of-use assets *(note (a))*	**1,402**	—
Net exchange (gain)/loss	**(1,006)**	473
Loss on disposal of property, plant and equipment *(note (a))*	**98**	2,862
Property, plant and equipment written off *(note (a))*	**186**	84
Net fair value (gain)/loss on derivative financial instruments *(note (a))*	**(872)**	133
Research and development expenditure	**22,865**	26,499
Employee benefits expense (including director's emolument):		
— Salaries, bonuses and allowances	**149,504**	186,275
— Retirement benefit scheme contributions	**13,633**	14,886
— Equity-settled share-based payments *(note (c))*	**2,076**	—
— Other benefits	**12,610**	17,484

Notes:

(a) These amounts are included in other operating expenses and income.

(b) Cost of inventories sold includes staff costs and depreciation of approximately HK$157,123,000 (2022: HK$201,449,000), which are included in the amounts disclosed separately above.

(c) Equity-settled share-based payments represents amortisation to the profit or loss of the fair value of share options measured at the respective grant dates, regardless the share options could be exercised or not.

9. DIVIDENDS

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Dividends paid during the period		
Final dividend for the year ended 31 December 2022: HK2.0 cents per ordinary share (Final dividend for the year ended 31 December 2021: HK3.0 cents per ordinary share)	**17,875**	26,813

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2023 (2022: HK0.3 cent).

10. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the following:

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company, used in the basic earnings per share calculation	**(21,703)**	18,502
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares used in basic earnings per share calculation	**893,761**	893,761

No diluted (loss)/earnings per share are presented as the effect of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2023 and the Company did not have any dilutive potential shares during the six months ended 30 June 2022.

11. TRADE AND BILLS RECEIVABLES

	As at 30 June 2023 HK$'000 (unaudited)	As at 31 December 2022 HK$'000 (audited)
Trade receivables	**307,576**	398,656
Bills receivables	**15,899**	6,776
	323,475	405,432

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 120 days (31 December 2022: 30 to 120 days) after the end of the month in which the invoices 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 2023, based on the invoice date, and net of allowance for bad and doubtful debt, is stated as follows:

	As at 30 June 2023 HK$'000 (unaudited)	As at 31 December 2022 HK$'000 (audited)
0 to 30 days	**138,210**	133,549
31 to 60 days	**73,025**	93,066
61 to 90 days	**52,224**	83,163
91 to 180 days	**42,479**	87,392
Over 180 days	**3,377**	1,871
Less: Allowance for bad and doubtful debts	**(1,739)**	(385)
	307,576	398,656

12. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days (31 December 2022: 30 to 90 days) from its suppliers. The ageing analysis of trade payables as at 30 June 2023, based on the date of receipt of goods, is as follows:

	As at 30 June 2023 *HK$'000* **(unaudited)**	As at 31 December 2022 *HK$'000* (audited)
0 to 30 days	**64,047**	53,082
31 to 60 days	**30,462**	44,693
61 to 90 days	**23,762**	30,296
91 to 180 days	**21,196**	40,015
Over 180 days	**22,273**	16,811
	161,740	184,897

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Financial Review

During the first half of 2023, the elevated inflation rate, interest rate hike and geopolitical turmoil slowed global economic recovery. The weakening growth of both local and global consumption markets affected the Group's sales. As such, the Group's revenue for the six months ended 30 June 2023 (the "**Period**") recorded a decrease of approximately 23.4% to HK$531,611,000 (2022 first half: HK$ HK$693,717,000). This is primarily attributable to the unsatisfactory performance in the sales of plastics, zinc and magnesium alloy businesses. As a result, the Group's gross profit dropped by approximately 33.6% to HK$103,136,000 (2022 first half: HK$155,428,000) and gross profit margin was 19.4% (2022 first half: 22.4%).

Due to the decrease in revenue and gross profit, the Group recorded a net loss attributable to owners of the Company of HK$21,703,000 for the Period (2022 first half: net profit of HK$18,502,000). The Group's EBITDA, computed as profit before tax, depreciation, amortisation of intangible assets and finance costs, amounted to approximately HK$23,423,000 (2022 first half: HK$72,302,000).

(B) Business Review

Plastic business

Affected by weakened consumer sentiment due to slowdown of global economic performance, the revenue of plastic business for the Period had dropped by approximately 39.0% to HK$190,213,000 (2022 first half: HK$311,909,000) as compared with 2022 first half. The contribution of this business segment to the Group's total revenue had also decreased to 35.8% (2022 first half: 45.0%) in the Period. The Group will continue to develop the market for new plastics products and shift part of the production chain to overseas in order to attract more customers and mitigate the risk of the trade tension between the US and China.

Magnesium alloy business

The unsatisfactory sales performance of intelligent devices led to a decline in the revenue of magnesium alloy business for the Period by approximately 27.5% to HK$159,106,000 (2022 first half: HK$219,429,000), accounting for approximately 29.9% of the Group's overall revenue (2022 first half: 31.6%). The Group will continue to capture the business opportunity to further expand its customer base and increase its market share with the use of new magnesium alloy materials.

Aluminium alloy business

Driven by the ever-increasing importance of lightweight technology for both traditional and new energy vehicles, the revenue of aluminium alloy business has recorded a substantial increase of approximately 41.3% to HK$117,548,000 (2022 first half: HK$83,199,000). The contribution of this segment also rose to approximately 22.1% of the Group's overall revenue (2022 first half: 12.0%). Due to the placing of more resources of the Group to facilitate the new business development in new energy vehicles recently, the Group recorded a temporary loss in this segment. The Group will strive to provide more varieties of the application and products of aluminium alloy in new energy vehicles which has always been a strategic focus of the Group.

Zinc alloy business

Due to the significant decrease in the demand on household products in the Period, the revenue of zinc alloy business reduced by approximately 31.3% to HK$36,007,000 (2022 first half: HK$52,413,000) as compared with the same period last year, accounting for approximately 6.8% (2022 first half: 7.6%) of the Group's overall revenue.

Others

The revenue during the Period of other businesses (including trading of lighting products, production of smart home products, provision of motor vehicles repairing services, sales of special purpose vehicles and provision of new energy vehicle power systems) increased by approximately 7.4% to HK$28,737,000 (2022 first half: HK$26,767,000).

(C) Prospects

Looking ahead to the second half of 2023, the global economic outlook remains challenging. While the inflation rates of major Western economies have declined from the peak in the fourth quarter of the previous year, they are still at elevated levels. Moreover, the global recovery is losing momentum, with projections indicating a decline from an estimated 3.5% growth in 2022 to 3.0% in both 2023 and 2024.

Amidst these economic challenges, the Group recognizes the dynamic nature of the business environment and has proactively formulated a new long-term development strategy known as the "Four New" strategy. By leveraging its substantial technological expertise and experience, the Group is poised to explore new horizons and elevate its position as a leading material solution supplier. Embracing business composition changes and resource reallocation, this transformative journey is poised to lead the Group towards greater success in the years to come.

New Business

In today's automotive industry, lightweight technology holds ever-increasing significance for both traditional and new energy vehicles. The Group plays a crucial role by providing lightweight products and solutions for a diverse range of vehicles, including electric, plug-in, and hybrid electric vehicles in China. Beyond decorative auto parts, the Group is actively engaged in the development of various large aluminium and magnesium alloy components, such as cross car beams, seat skeletons, battery pack cases, electric control boxes, dashboard LCD screen skeletons and commercial vehicle hydrogen storage bottle holder. Moreover, the Group dedicates its efforts to advancing components that are used within integrated electronic systems, encompassing autopilot systems, intelligent display systems, intelligent control systems, and heat dissipation systems, with the ultimate goal of further optimizing vehicle energy efficiency.

The Group's distinctive advantage lies in its large-scale die casting and machining capacity, which enables the design and production of massive automotive components in a seamless, single-piece process. With an optimistic outlook on the growth potential of the automotive lightweight market, the Group is well-positioned to capitalize on this momentum.

Last year, the Group proudly introduced its self-developed low-floor LPG extended-range minibus, which is currently operational at the Group's production base in China. The minibus embodies the essence of "low-carbon travel", extending from materials to fuels, and has garnered significant acclaim from distinguished visitors, including government officials, esteemed customers, and industry peers alike. In early August 2023, the Group successfully obtained the "Registered Manufacturer for Type-Approval" from the Transport Department of the Hong Kong government, which is currently proceeding to the application stage of "Vehicle Type-Approval". It is expected that all necessary licenses will be ready as early as 2024, enabling the minibus to be presented to potential customers for purchase.

New Materials

Over the years, the Group has garnered significant market recognition for its unwavering commitment to research and development in the field of new materials. Notably, the Group's groundbreaking advancements in high thermal conductivity magnesium alloy and germ-repelling plastics have set new industry benchmarks. Through proactive marketing and targeted promotions, customers have gradually acknowledged these cutting-edge technologies in their products and production processes, leading to an increasing number of inquiries and trial orders from various industries such as 3C, automobile, healthcare, and others.

The transportation sector has been the Group's strategic focus. A remarkable achievement in this domain is the development of the magnesium alloy cross car beam designed for new energy commercial vehicles, boasting a 55% reduction in weight when compared to traditional steel beams. Additionally, the Group's innovative single-piece casting design for the 1.9m long magnesium alloy cross car beam has proven to be more cost-efficient in the production process.

In line with its commitment to continuous innovation, the Group plans to explore further possibilities with magnesium alloys. Research will focus on high strength, high toughness, and high flow magnesium alloys, with vast number of potential applications in automotive instrument parts, car body structures, chassis components, and triboelectric systems. Additionally, these advanced magnesium alloys will cater to the demands of personal electronics segments, including high-end notebooks and AR/VR wearable electronic products, which increasingly require lightweight and efficient heat dissipation solutions.

New Opportunities

With a history of over 40 years in the metal manufacturing industry, the Group is actively pursuing opportunities to expand its business horizons. A key focus lies in investment in the upstream operations of the magnesium industry chain in Shaanxi Province.

China stands as a prominent global producer of magnesium, with the China Nonferrous Metals Industry Association reporting a substantial output of approximately 893,600 tons of primary magnesium in 2022, representing around 80.1% of the world's total production. Shaanxi Province emerged as a leading contributor to this output, accounting for 61.4% and holding a significant position as China's primary magnesium production hub.

Forecasts indicate a robust increase in the consumption of magnesium alloys in China's auto industry, projected to reach 353,200 tons in 2025 and 711,200 tons in 2030. Correspondingly, the consumption of primary magnesium is expected to reach 388,500 tons and 782,300 tons in the aforesaid years, respectively. As the continuous advancement of technologies broadens the range of magnesium alloy parts in the auto, 3C industry, aerospace, transportation, and the chemical industry that can be produced, extensive market opportunities have been opened for the Group to deepen its reach in the magnesium industry.

New Markets

Given the persistent geopolitical conflicts affecting global markets, the Group has identified market diversification as a top priority for the company. The Group will actively focus on developing new customer relationships in a broader range of international markets, thereby reducing reliance on specific regions and enhancing global outreach. In addition, the Group is proactively exploring potential business collaborations with local manufacturers in Southeast Asia, the Middle East, and North America, in order to address regional demands more efficiently and effectively. Offering multi-location solutions to customers in these areas will not only cater to local needs but also contribute to the overall resilience and adaptability of the Group's supply chain.

(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 were from cash flows generated from operating activities. As at 30 June 2023, the Group had restricted bank balances as well as bank and cash balances of approximately HK$261,530,000 (31 December 2022: HK$246,013,000), 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 2023 were bank loans and loan from non-controlling interests with an aggregate amount of approximately HK$56,241,000 (31 December 2022: HK$69,806,000). All of these borrowings were denominated in Hong Kong dollars and Euros (31 December 2022: Hong Kong dollars and 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 fifth year without repayment on demand clause amounted to approximately HK$51,937,000, HK$3,333,000 and HK$971,000 respectively (31 December 2022: HK$60,502,000, HK$8,333,000 and HK$971,000 respectively).

As at 30 June 2023, the net gearing ratio (a ratio of the sum of the total bank borrowings and loan from non-controlling interests less the pledged bank deposits (if any), restricted bank balances 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 (if any), restricted bank balances and bank and cash balances less total bank borrowings and loan from non-controlling interests (if any)) of approximately HK$205,289,000 (31 December 2022: net cash of HK$176,207,000).

As at 30 June 2023, the net current assets of the Group was approximately HK$481,032,000 (31 December 2022: HK533,429,000), which consisted of current assets of approximately HK$819,624,000 (31 December 2022: HK$906,171,000) and current liabilities of approximately HK$338,592,000 (31 December 2022: HK$372,742,000), representing a current ratio of approximately 2.4 (31 December 2022: 2.4).

(E) Exposure to Foreign Exchange Risk

During the Period, 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. 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 2023, the Group had no material contingent liabilities.

(G) Charge on Assets

As at 30 June 2023, none of the assets of the Group were pledged.

(H) Significant Investments, Acquisitions or Disposal

For the six months ended 30 June 2023, the Group did not have any significant investments, acquisitions or disposals.

(I) Human Resources

As at 30 June 2023, the Group had approximately 3,810 full-time employees (31 December 2022: 3,750). 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 aforesaid share award scheme expired on 9 January 2023.

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.

IMPORTANT EVENTS AFFECTING THE GROUP SINCE THE END OF THE PERIOD

On 26 May 2023, Orient World International Limited, an indirect wholly-owned subsidiary of the Company (the "**Purchaser**") entered into the stock purchase agreement with Avery Plastics Consulting Group Inc. ("**Avery Plastics**"), Global Plastic Solutions, S. de R.L. de C.V. ("**GPS**"), Martin R. Avery ("**Avery**") and Hector Obando ("**Obando**" and together with Avery, the "**Sellers**"), pursuant to which the Purchaser has agreed to acquire 90% of the issued and outstanding capital stock of Avery Plastics and GPS respectively at a total consideration of US$1,800,000 plus shareholder's loan of approximately US$314,000 ("**Acquisition**"). Avery Plastics is a corporation incorporated in California and GPS is a corporation incorporated in Mexico which are engaged in plastic injection molding and assembly in support of the consumer cell phone industry, automotive industry and medical industry. Supplemental agreements were entered into on 22 June 2023 and completion of Acquisition took place on 5 July 2023.

As all of the applicable percentage ratios in respect of the Acquisition were less than 5%, the Acquisition did not constitute a disclosable transaction of the Company and is thus not subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Save for the above, during the period after the end of the Period and up to the date of the announcement, the Group did not have any significant events affecting the Group that require additional disclosures or adjustments.

INTERIM DIVIDEND

The Board considers that it is prudent to retain an appropriate level of funds to take advantage of business opportunities as and when they arise, and therefore has resolved not to declare an interim dividend for the six months ended 30 June 2023 (2022: HK0.3 cent).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2023, 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, 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 services, develop, and implement a policy on engaging independent auditors to supply non-audit 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 (formerly known as Kong To Yeung, Frankie), Professor Sun Kai Lit, Cliff *BBS, JP,* Ir Dr. Lo Wai Kwok *GBS, MH, JP* and Mr. Andrew Look, and is chaired by Mr. Kong Kai Chuen, Frankie (formerly known as Kong To Yeung, 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 Nomination Committee consists of (i) four independent non-executive directors, namely Professor Sun Kai Lit, Cliff *BBS*, *JP*, Ir Dr. Lo Wai Kwok *GBS*, *MH*, *JP*, Mr. Andrew Look and Mr. Kong Kai Chuen, Frankie (formerly known as Kong To Yeung, Frankie) and (ii) one executive director, Mr. Chu Weiman. 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, including the review and/or approval of matters relating to share schemes under Chapter 17 of the Listing Rules. 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 (i) four independent non-executive directors, namely Professor Sun Kai Lit, Cliff *BBS, JP*, Ir Dr. Lo Wai Kwok *GBS, MH, JP*, Mr. Andrew Look and Mr. Kong Kai Chuen, Frankie (formerly known as Kong To Yeung, Frankie) and (ii) one executive director, Mr. Chu Weiman. The chairman of the Remuneration Committee is Professor Sun Kai Lit, Cliff *BBS, JP,* an independent non-executive director.

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 that 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 currently comprises (i) the Chief Executive Officer of the Company (namely Mr. Chu Weiman), (ii) director of manufacturing (namely Mr. Wong Wing Chuen), (iii) director of planning and management (namely Ms. Chan So Wah), all of whom are executive directors, and (iv) director of sales and marketing (namely Mr. Wong Wai Cheung, Peter). The Chairman of Risk Management Committee is Mr. Chu Weiman. The Chief Financial Officer of the Company (namely Mr. Seto Sai Cheong Paul) has ceased to be a member of the Risk Management Committee on 31 July 2023 following his resignation as Chief Financial Officer of the Company.

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.

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 2023.

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, 25 August 2023

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Lee Yuen Fat, Mr. Wong Wing Chuen, Mr. Chu Weiman and Ms. Chan So Wah, and four independent non-executive directors, namely Professor Sun Kai Lit, Cliff BBS, JP, Ir Dr. Lo Wai Kwok GBS, MH, JP, Mr. Andrew Look and Mr. Kong Kai Chuen, Frankie.