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 2023

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2023	2022	
	HK$'000	*HK$'000*	+/(-)
RESULTS			
Revenue	**1,282,495**	1,504,439	(14.8%)
Gross profit	**238,395**	335,334	(28.9%)
(Loss)/profit attributable to owners of the Company	**(28,435)**	74,844	(138.0%)
EBITDA	**66,250**	183,767	(63.9%)
PER SHARE DATA			
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company			
— Basic *(HK cents)*	**(3.18)**	8.37	(138.0%)
— Diluted *(HK cents)*	**N/A**	N/A	N/A

FINANCIAL RESULTS

The Board of Directors (the "**Board**") of Ka Shui International Holdings Limited (the "**Company**" or "**Ka Shui**") wish to report the audited final results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 December	
		2023	2022
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**1,282,495**	1,504,439
Cost of sales		**(1,044,100)**	(1,169,105)
Gross profit		**238,395**	335,334
Other income	*5*	**21,129**	31,220
Impairment losses for trade receivables		**(1,449)**	(52)
Selling and distribution expenses		**(35,539)**	(33,568)
General and administrative expenses		**(230,457)**	(246,690)
Other operating expenses and income		**(15,513)**	(7,068)
(Loss)/profit from operations		**(23,434)**	79,176
Finance costs	*6*	**(5,332)**	(4,165)
Share of losses of associates		**(3,643)**	(1,058)
(Loss)/profit before tax		**(32,409)**	73,953
Income tax credit/(expense)	*7*	**3,001**	(5,095)
(Loss)/profit for the year		**(29,408)**	68,858
Attributable to:			
Owners of the Company		**(28,435)**	74,844
Non-controlling interests		**(973)**	(5,986)
		(29,408)	68,858
(Loss)/earnings per share	*8*		
— Basic *(HK cents)*		**(3.18)**	8.37
— Diluted *(HK cents)*		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(29,408)**	68,858
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Fair value changes of equity investment at fair value through other comprehensive income ("**FVTOCI**")	**34,402**	—
(Loss)/surplus on revaluation of leasehold lands	**(6,730)**	30,669
Income tax on items that will not be reclassified to profit or loss	**1,042**	(4,573)
	28,714	26,096
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	**(20,022)**	(70,286)
Other comprehensive income for the year, net of tax	**8,692**	(44,190)
Total comprehensive income for the year	**(20,716)**	24,668
Attributable to:		
Owners of the Company	**(19,324)**	32,182
Non-controlling interests	**(1,392)**	(7,514)
	(20,716)	24,668

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December **2023** ***HK$'000***	 2022 *HK$'000*
Non-current assets			
Property, plant and equipment		**505,610**	492,350
Right-of-use assets		**266,597**	270,990
Goodwill		**2,654**	2,654
Other intangible assets		**30,531**	3,382
Club membership		**718**	718
Investments in associates		**13,845**	9,845
Equity investment at FVTOCI		**45,272**	—
Non-current deposits		**13,834**	20,186
Deferred tax assets		**4,255**	4,364
		883,316	804,489
Current assets			
Inventories		**159,822**	192,525
Right of return assets		**54**	54
Trade and bills receivables	*9*	**417,912**	405,432
Contract assets		**12,631**	11,420
Prepayments, deposits and other receivables		**42,023**	43,764
Due from an associate		**354**	702
Current tax assets		**8,060**	6,261
Restricted bank balances		**1,855**	1,860
Bank and cash balances		**194,464**	244,153
		837,175	906,171
Current liabilities			
Trade payables	*10*	**214,513**	184,897
Contract liabilities		**8,015**	8,611
Refund liabilities		**242**	241
Other payables and accruals		**97,420**	92,863
Due to an associate		**—**	78
Derivative financial liabilities		**—**	935
Bank borrowings		**63,333**	68,835
Lease liabilities		**14,398**	11,807
Current tax liabilities		**950**	4,475
		398,871	372,742
Net current assets		**438,304**	533,429
Total assets less current liabilities		**1,321,620**	1,337,918

		As at 31 December	
		2023	2022
	Note	***HK$'000***	*HK$'000*
Non-current liabilities			
Loan from non-controlling interest		**1,185**	971
Lease liabilities		**26,042**	12,662
Deferred tax liabilities		**39,796**	34,009
		67,023	47,642
NET ASSETS		**1,254,597**	1,290,276
Capital and reserves			
Share capital		**89,376**	89,376
Reserves		**1,154,956**	1,194,091
Equity attributable to owners of the Company		**1,244,332**	1,283,467
Non-controlling interests		**10,265**	6,809
TOTAL EQUITY		**1,254,597**	1,290,276

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 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 31 December 2023, Precisefull Limited, a company incorporated in the British Virgin Islands ("**BVI**"), 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 Companies Ordinance (Cap. 622).

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 the consolidated financial statements.

3. ADOPTION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of revised HKFRSs

The Group has applied 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 2023 for the preparation of the consolidated financial statements:

Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the amendments to HKFRSs in the current year has 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.

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has adopted Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies" for the first time in the current year. HKAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in note 4 to the consolidated financial statements.

Impact on application of Amendments to HKAS 12 "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" for the first time in the current year. 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 consolidated statement of financial position as at 1 January 2022, 31 December 2022 and 31 December 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. The change primarily impacts disclosures of components of deferred tax assets and liabilities in note 36, but does not impact the overall deferred tax balances presented on the consolidated statement of financial position as the related deferred tax balances qualify for offset under HKAS 12.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") — Long Service Payment ("LSP") offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "**Abolition**"). The Abolition will officially take effect on 1 May 2025 (the "**Transition Date**"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19. Based on the management's assessment, there was immaterial difference between the carrying amount of the LSP liability calculated under paragraph 93(b) of HKAS 19 before the Abolition and the carrying amount of the LSP liability calculated under paragraph 93(a) of HKAS 19 after the Abolition at the enactment date (16 June 2022), 31 December 2022 and 31 December 2023.

Since the amount of the cumulative catch-up profit or loss adjustment for the year ended 31 December 2022 was immaterial, the Group did not restate the comparative figures for the financial statements. Accordingly, the Group has recognised the cumulative catch-up adjustment in profit or loss for the year ended 31 December 2023, with corresponding adjustment to the LSP obligation. The application of the amendments has had no material impact on the Group's financial positions and performance.

(b) Revised HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to standards and interpretation that have been issued but are not yet effective:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 — Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16 — Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("**HK Int 5 (Revised)**")	1 January 2024
Amendments to HKAS 7 and HKFRS 7 — Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 — Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated 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, provision of motor vehicle repairing services, sales of special purpose vehicles, provision of new energy vehicle power systems and production of smart home and other products.

For management purposes, the Group's operation is currently categorised into nine (2022: nine) operating divisions — zinc, magnesium, aluminium alloy, plastic products and components, trading of lighting products, provision of motor vehicle repairing services, sales of special purpose vehicles, provision of new energy vehicles power systems and production of smart home and other products. 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. During the year, the segment results of trading of lighting products and motor vehicle power systems (including provision of motor vehicle repairing services, sales of special purpose vehicles and provision of new energy vehicles power systems) meet the quantitative thresholds for determining reportable segments. Accordingly, total reportable segments of the Group increased to six (2022: four) and segment data for prior period has been represented for comparative purposes.

Operating divisions including provision of motor vehicle repairing services, sales of special purpose vehicles and provision of new energy vehicles power systems are aggregated into motor vehicle power systems segment as they have similar economic characteristics including sharing similar type of customers for their products and services.

The Group's other operating segments include production of smart home and other products. 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, net fair value gains on derivative financial instruments, share of losses of associates, impairment losses for investment in an associate, finance costs, corporate expenses and income tax (credit)/expense.

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

Information about the reportable segment profit or loss:

	Zinc alloy *HK$'000*	Magnesium alloy *HK$'000*	Aluminium alloy *HK$'000*	Plastic *HK$'000*	Lighting products *HK$'000*	Motor vehicle power systems *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 December 2023								
Revenue from external customers	**78,355**	**345,052**	**228,366**	**579,277**	**42,074**	**8,462**	**909**	**1,282,495**
Segment profit/(loss)	**116**	**1,075**	**327**	**(4,789)**	**2,827**	**(11,540)**	**195**	**(11,789)**
Depreciation and amortisation	**3,030**	**26,295**	**12,290**	**39,674**	**2,957**	**1,769**	**1**	**86,016**
Impairment for allowance for inventories/ (reversal of allowance for inventories)	**—**	**8,521**	**(3,594)**	**3,290**	**(2,572)**	**1,866**	**(440)**	**7,071**
Year ended 31 December 2022								
Revenue from external customers	99,327	451,100	190,367	706,584	48,239	7,291	1,531	1,504,439
Segment profit/(loss)	1,130	25,770	4,355	54,620	4,648	(7,532)	(2,551)	80,440
Depreciation and amortisation	4,507	47,457	8,513	34,062	1,862	1,962	6	98,369
(Reversal of allowance for inventories)/ impairment for allowance for inventories	(90)	1,325	6,942	(4,503)	—	—	1,460	5,134

Reconciliation of reportable segment revenue, profit or loss:

	2023 *HK$'000*	2022 *HK$'000*
Revenue		
Total revenue of reportable segments	**1,282,495**	1,504,439
Unallocated amounts	**—**	—
Consolidated revenue	**1,282,495**	1,504,439

	2023 *HK$'000*	2022 *HK$'000*
Profit or loss		
Total (loss)/profit of reportable segments	**(11,789)**	80,440
Unallocated amounts:		
Interest income	**4,006**	952
Government grants	**5,351**	14,775
Net fair value gains on derivative financial instruments	**929**	2,355
Share of losses of associates	**(3,643)**	(1,058)
Impairment losses for investment in an associate	**(1,891)**	—
Finance costs	**(5,332)**	(4,165)
Corporate expenses	**(20,040)**	(19,346)
Income tax credit/(expense)	**3,001**	(5,095)
Consolidated (loss)/profit for the year	**(29,408)**	68,858

	2023	2022
	HK$'000	*HK$'000*
Other material items — depreciation and amortisation		
Total depreciation and amortisation of reportable segments	**86,016**	98,369
Unallocated amounts:		
Depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets for corporate use	**7,311**	7,280
Consolidated depreciation and amortisation	**93,327**	105,649

Geographical information:

	Revenue	
	2023	2022
	HK$'000	*HK$'000*
Hong Kong	**54,438**	72,843
People's Republic of China (the "**PRC**"), except Hong Kong	**654,566**	734,190
USA	**458,985**	556,930
Others	**114,506**	140,476
Consolidated total	**1,282,495**	1,504,439

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 12% (2022: less than 10%) of the aggregate amount of all segments.

Revenue from major customers:

Revenue from major customers who have individually contributed to 10% or more of the total revenue of the Group are disclosed as follow:

	2023	2022
	HK$'000	*HK$'000*
Plastic segment		
Customer a	**337,902**	476,584
Magnesium alloy segment		
Customer b *(Note)*	**N/A**	219,556

Note: Revenue from customer b represented less than 10% of the Group's revenue for the year ended 31 December 2023.

5. OTHER INCOME

	2023 *HK$'000*	2022 *HK$'000*
Interest income on bank deposits	**4,006**	952
Rental income	**689**	838
Reimbursement from customers	**3,537**	4,875
Compensation from suppliers	**—**	253
Sales of scrap materials	**4,937**	4,578
Government grants *(note)*	**5,351**	14,775
Others	**2,609**	4,949
	21,129	31,220

Note: Government grants recognised during the year are mainly related to unconditional support for subsidising the Group's research and development (2022: mainly related to various employment support schemes from PRC and Hong Kong governments). The Group has complied with all attached conditions before 31 December 2023.

6. FINANCE COSTS

	2023 *HK$'000*	2022 *HK$'000*
Interest expenses on lease liabilities	**1,718**	1,059
Interest expenses on bank borrowings	**3,614**	2,941
Other interest expenses	**—**	165
	5,332	4,165

7. INCOME TAX (CREDIT)/EXPENSE

	2023 *HK$'000*	2022 *HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**3,796**	12,536
Over-provision in prior years	**(7,025)**	(5,049)
Current tax — Income tax outside Hong Kong		
Provision for the year	**1,491**	1,720
Over-provision in prior years	**(183)**	(449)
Current tax — PRC dividend withholding tax for the year	**—**	815
Deferred tax	**(1,080)**	(4,478)
Income tax (credit)/expense	**(3,001)**	5,095

Under the two-tiered Profits Tax regime, the first HK$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25% (2022: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% (2022: 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%.

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% (2022: 25%).

Three (2022: Three) 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 EIT at the 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. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% (2022: 5%) if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise.

8. (LOSS)/EARNINGS PER SHARE

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

	2023	2022
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company, used in the basic earnings per share calculation	**(28,435)**	74,844

	2023	2022
	HK$'000	*HK$'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**893,761,400**	893,761,400

No diluted (loss)/earnings per share are presented as the effect of all potential ordinary shares are anti-dilutive for the year ended 31 December 2023 and the Company did not have any dilutive potential shares during the year ended 31 December 2022.

9. TRADE AND BILLS RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**408,201**	398,656
Bills receivables	**9,711**	6,776
	417,912	405,432

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 120 days (2022: 30 to 120 days) after the end of the month in which the invoices are 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:

	2023	2022
	HK$'000	*HK$'000*
0 to 30 days	**157,827**	133,549
31 to 60 days	**106,173**	93,066
61 to 90 days	**80,425**	83,163
91 to 180 days	**59,800**	87,392
Over 180 days	**5,805**	1,871
	410,030	399,041
Less: Allowance for bad and doubtful debts	**(1,829)**	(385)
	408,201	398,656

As at 31 December 2023, total bills received amounted to approximately HK$9,711,000 (2022: HK$6,776,000) 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.

10. TRADE PAYABLES

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

	2023	2022
	HK$'000	*HK$'000*
0 to 30 days	**65,481**	53,082
31 to 60 days	**54,482**	44,693
61 to 90 days	**32,301**	30,296
91 to 180 days	**37,490**	40,015
Over 180 days	**24,759**	16,811
	214,513	184,897

11. DIVIDEND

	2023	2022
	HK$'000	*HK$'000*
2023 Interim dividend of HK Nil cent (2022: 2022 Interim dividend of HK0.3 cent) per ordinary share	**—**	2,682
2022 Final dividend of HK2.0 cents (2022: 2021 Final dividend of HK3.0 cents) per ordinary share	**17,875**	26,812
	17,875	29,494

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2023 (2022: HK2.0 cents).

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Financial Review

During the year under review, in spite of the removal of COVID-19-related restrictions and the reopening of borders in China, the persistent geopolitical tensions, high inflation, and interest rate hikes by the US Federal Reserve contributed to the slowdown of the global economic recovery. The weakening consumer sentiment adversely affected the Group's sales. In view of this, the Group's overall revenue for the year ended 31 December 2023 (the "**Year**") recorded a year-on-year decrease of approximately 14.8% to HK$1,282,495,000 (2022: HK$1,504,439,000). This is primarily attributed to the unsatisfactory performance in the sales of plastic, zinc and magnesium alloy together with other business. As a result, the consolidated net loss attributable to owners of the Company amounted to approximately HK$28,435,000 (2022: consolidated net profit of HK$74,844,000). The Group's gross profit for the Year also reduced to by approximately 28.9% to HK$238,395,000 (2022: HK$335,334,000) and gross profit margin was approximately 18.6% (2022: 22.3%).

The Group's EBITDA, computed as profit before tax, depreciation, amortisation and finance costs, amounted to approximately HK$66,250,000 (2022: HK$183,767,000).

(B) Business Review

Plastic business

In light of the substantial economic pressures faced by the Western nations due to high inflation, Western nations reduced non-essential spending. In this relation, the revenue of plastic business segment had declined by approximately 18.0% to HK$579,277,000 (2022: HK$706,584,000), which accounted for approximately 45.2% (2022: 47.0%) of the Group's overall revenue. The Group has established a pilot production facility in Mainland for germ-repelling plastic which will be able to reach out more new customers. Also, the recent strategic acquisition of a new factory in Mexico enables us to shift part of the production chain to overseas in order to enhance the resilience and adaptability of our supply chain and develop the market in North America.

Magnesium alloy business

Affected by the poor sales of intelligent devices in 2023, the revenue of the magnesium alloy business reduced to by approximately 23.5% to HK$345,052,000 (2022: HK$451,100,000), accounting for approximately 26.9% of the Group's overall revenue (2022: 30.0%). Our self-developed high thermal conductivity magnesium alloy has been brought into mass production in 2023 and it is expected that there will be a great potential on the demand of this material across various sectors, including 3C, transportation, aerospace and new energy vehicle industries in the years ahead. The Group will continue to explore new products and applications of magnesium alloy with an aim to developing new markets and capture new business opportunities.

Aluminium alloy business

Benefited from robust demand for alloys incorporating lightweight technologies in traditional and new energy vehicles, the revenue of the aluminium alloy business for the Year increased by approximately 20.0% to HK$228,366,000 (2022: HK$190,367,000) when compared with that of the previous year. The segment's contribution to the Group's overall revenue had also grown from approximately 12.7% in 2022 to approximately 17.8% in 2023. The Group will strive to design and produce substantial automotive components in aluminium alloys and to develop new markets in new energy vehicle industry in enhancing the profitability of this segment in the forthcoming future.

Zinc alloy business

The ongoing high inflation and high interest rate, particularly in Western nations have greatly dampened consumer sentiments which had resulted in lower household products spending. As such, the revenue of the zinc alloy business for the year ended 31 December 2023 was approximately HK$78,355,000 (2022: HK$99,327,000), representing a decrease of approximately 21.1% when compared with that of 2022. This business segment accounted for approximately 6.1% of the Group's overall revenue (2022: 6.6%).

Others

The revenue of other businesses (trading of lighting products, provision of motor vehicle repairing services, sales of special purpose vehicles, provision of new energy vehicle power systems and production of smart home and other products) dropped by approximately 9.8% to HK$51,445,000 (2022: HK$57,061,000) when compared with that of the previous year.

(C) Prospects

Moving forward into 2024, the Group maintains a cautiously optimistic outlook on its future growth trajectory. The consistent interest rate policy upheld by the US Federal Reserve since the fourth quarter of 2023, alongside market expectations of further declines in inflation and potential interest rate cuts in 2024, bode well for a more positive consumer sentiment in the coming year. However, amidst ongoing geopolitical tensions, concerns linger regarding global trade dynamics.

These shifting dynamics are reshaping the global supply chain landscape, prompting the Group to take a proactive stance. In response, the Group has developed the "Four New" strategy, strategically diversifying our business ventures across multiple fronts to navigate the ever-changing business environment effectively. The methodical implementation of this strategy thus far, coupled with its favorable reception in the market, reaffirms the Group's confidence in its strategic direction.

New Materials

Ka Shui has garnered widespread acclaim for its unwavering dedication to research and development in the realm of new materials. Its pioneering advancements in high thermal conductivity magnesium alloy and germ-repelling plastics have established new industry standards and captured the attention of its customers. Specifically, the integration of the Group's high thermal conductivity magnesium alloy into various series of personal notebooks has enhanced the heat dissipation and lightweight features of the latest generation of personal electronics.

In 2023, Ka Shui brought the high thermal conductivity magnesium alloy into mass production. Over 100 tons of such new material has been used by downstream manufacturers and customers. It is anticipated that the demand of this material will be promising due to the booming business in new energy vehicle electronic components.

Ka Shui has established a pilot production facility in Mainland for germ-repelling plastic with annual capacity of 250 tons. With this facility, Ka Shui will be able to reach out to more clients who requested sizeable samples for their own testing. Ka Shui has been actively exploring different areas for germ repelling applications and the response from drinking water piping industry is promising. The Group is anticipating more and bigger batch of trial in 2024.

Moving forward, the Group aims to further penetrate industries such as 3C, automobile, healthcare, and others through proactive marketing and targeted promotional efforts. By doing so, Ka Shui seeks to solidify the position of its innovative materials as the preferred choices for its customers across diverse sectors.

New Business

With over four decades of extensive experience in material solutions, the Group's strategic expansions, both horizontally and vertically, are inherently advantageous for its long-term growth and sustainability.

In today's automotive sector, the demand for lightweight technology is paramount, spanning both traditional and new energy vehicle categories. The Group occupies a pivotal role by delivering lightweight solutions tailored for a wide array of vehicles, including electric, plug-in, and hybrid models in China. Capitalizing on our significant edge in large-scale die casting and machining capabilities, we seamlessly design and produce substantial automotive components across various materials, offering a comprehensive range of auto parts and expanding our business reach across diverse customer segments.

Last year, the Group has extended its presence in the magnesium industry, and is evolving into a vertically integrated magnesium solution provider. In additional to its traditional product line of magnesium alloy parts, the Group now offers a comprehensive range of metal solutions, including general magnesium alloys, specialized new magnesium alloys, and the latest addition — pure magnesium in various net shapes for client's specific purposes. Since establishing an upstream magnesium processing project in the first half of 2023 in Shaanxi Province, a leading magnesium production hub in China, the Group's has been supplying general and specialized magnesium alloys to manufacturers across various sectors, including automotive, 3C, aerospace, transportation, and chemical industries. Furthermore, the Group has commenced shipping magnesium products to the European market beginning this year.

For midstream, benefited from the expansion of new energy vehicle industry, the Group's new energy vehicle component grew significantly in 2023. It is anticipated that the tide of new energy vehicles will continue to grow and the Group's new energy vehicle components manufacturing will benefit from such growth.

For downstream expansion, the Group proudly unveiled our self-developed low-floor LPG extended-range minibus in 2023 and one unit of minibus is currently in Hong Kong for "Type-Approval" certification by local authorities. This innovative minibus embodies the ethos of "low-carbon travel" across materials and fuels, earning praise from government officials, esteemed customers, and industry peers alike.

New Market

Market diversification remains the Group's top priority as the Group seeks to expand its business footprint and adapt to regional procurement trends.

With the recent acquisition of the Global Plastic Solutions, S. de R.L. de C.V. and Avery Plastics Consulting Group Inc., the group of which is known for its manufacturing and assembly of plastic products in Mexico and benefiting from duty-free privileges for exports to the US, the Group now has a solid foundation to better serve US customers. This strategic acquisition offers several advantages, including increased proximity to customers, lower logistics expenses, and improved customer service responsiveness and support. Moreover, by providing multi-location solutions to customers, the Group enhances the resilience and adaptability of its supply chain. Looking ahead, the Group aims to leverage this overseas manufacturing and sales hub to unlock new opportunities and expand its presence in the American market.

Aligned with the Belt and Road Initiative of the Chinese and Hong Kong governments, the Group is actively pursuing opportunities in Southeast Asia and the Middle East. In Indonesia, discussions are underway with local authorities regarding business prospects in the transportation sector, particularly the development potential of electric commercial vehicles. Drawing on its expertise in minibus design and manufacturing, the Group is exploring partnerships with local auto manufacturers to enter the Indonesian electric commercial vehicle market at a reasonable cost and risk. Additionally, in the UAE, the Group is engaging with potential customers for its Eco-Sand 3D printing business, offering personalized product manufacturing and comprehensive rapid prototyping services.

Hydrogen Economy is a hot topic in the globe that Ka Shui is actively investigating our role that we can play. The Group will, leveraging on its core materials and manufacturing expertise as well as connections to various stakeholders, continue to foster cooperations in global level so as to create more values to our stakeholders.

New Opportunities

In leveraging the established platform of Ka Shui, replete with a global network and manufacturing expertise, the Group is poised to delve further into new prospects within its competitive strengths, including new energy vehicles and smart electronics.

For instance, the Group started a cooperation with a leading developer of underwater cleansing robot for swimming pools. Our manufacturing expertise and solutions helped the client to achieve speedy ramp up with stability in quality which eventually helped the client to win the market. It is anticipated that such AI robot pool cleaner with patented technology has the potential of developing into a sizable market share in the near future.

Conclusion

Building upon its reputation as a reliable material solutions provider for global brands, the Group will tactically utilize its network to expand its business both horizontally and vertically along the value chain in the years ahead. By proactively embracing the "Four New" strategy, the Group is poised to capitalize on emerging opportunities and reinforce its position as a dynamic leader in the evolving business landscape, aiming to maximize value for its customers, shareholders, and society.

(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 Year was from cash flows generated from operating activities and bank borrowings. As at 31 December 2023, the Group had restricted bank balances as well as bank and cash balances of approximately HK$196,319,000 (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 31 December 2023 were bank loans and loan from non-controlling interest with an aggregate amount of approximately HK$64,518,000 (2022: HK$69,806,000). All of these borrowings were denominated in Hong Kong dollars (2022: Hong Kong dollars and Euros) and which were primarily subject to floating interest rates. The 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 HK$63,333,000, HK$Nil and HK$1,185,000 respectively (2022: HK$60,502,000, HK$8,333,000 and HK$971,000 respectively).

As at 31 December 2023, the net gearing ratio (a ratio of the sum of the total bank borrowings and loan from non-controlling interest less 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 (restricted bank balances (if any) and bank and cash balances less total borrowings) of HK$131,801,000 (2022: net cash of HK$176,207,000).

As at 31 December 2023, the net current assets of the Group were approximately HK$438,304,000 (2022: HK$533,429,000), which consisted of current assets of approximately HK$837,175,000 (2022: HK$906,171,000) and current liabilities of approximately HK$398,871,000 (2022: HK$372,742,000), representing a current ratio of approximately 2.1 (2022: 2.4).

(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. 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 31 December 2023, the Group had no material contingent liabilities.

(G) Charge on Assets

As at 31 December 2023, none of the assets of the Group were pledged.

(H) Significant Investments, Acquisitions or Disposal

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 approximately US$1,973,000 ("**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 thus was not subject to reporting and announcement requirements under Chapter 14 of the Listing Rules. As such, during the year ended 31 December 2023, the Group did not have any significant investments, acquisitions or disposals.

(I) Human Resources

As at 31 December 2023, the Group had approximately 4,762 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 as 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 YEAR

No significant events affecting the Group that require additional disclosures or adjustments occurred after the financial year ended 31 December 2023.

FINAL 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 recommend the payment of a final dividend for the year ended 31 December 2023 (2022: HK2.0 cents).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 28 May 2024 to Friday, 31 May 2024, 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 Monday, 27 May 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2023, 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 MESSRS. RSM HONG KONG

The financial figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Company's auditor, Messrs. RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023. 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, the Company has complied with all the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (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, implement and review a policy on engaging independent auditors to supply non-audit services, approve the scopes and fees for non-audit assignments, 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. RSM Hong Kong will confirm its independence before accepting the engagement of non-audit services. 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 ensuring 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. Following Mr. Seto Sai Cheong's resignation as the Chief Financial Officer of the Company, he has ceased to be a member of the Risk Management Committee on 31 July 2023.

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 C3 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 2023.

REVIEW OF FINANCIAL INFORMATION

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

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

Hong Kong, 26 March 2024

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.