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 2016

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2016	2015	+/(-)
	HK$'000	*HK$'000*	
	(unaudited)	(unaudited)	
RESULTS			
Revenue	**753,082**	701,221	7.4%
Gross profit	**136,350**	125,228	8.9%
Profit attributable to owners of the Company	**2,473**	381	549.1%
EBITDA	**73,353**	50,604	45.0%
PER SHARE DATA			
Earnings per share for profit attributable to owners of the Company			
– Basic *(HK cents)*	**0.28**	0.04	600.0%
– Diluted *(HK cents)*	**0.20**	0.04	400.0%

The Board of Directors (the "Board") of Ka Shui International Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016, together with the comparative figures for the corresponding period in 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2016	2015
		HK$'000	*HK$'000*
	Note	**(unaudited)**	(unaudited)
Revenue	*3*	**753,082**	701,221
Cost of sales		**(616,732)**	(575,993)
Gross profit		**136,350**	125,228
Other income	*4*	**8,514**	8,027
Selling and distribution expenses		**(13,179)**	(13,018)
General and administrative expenses		**(122,788)**	(132,342)
Other operating income and expenses		**15,551**	13,713
Provisional gain on a bargain purchase		**–**	7,849
Profit from operations		**24,448**	9,457
Finance costs	*5*	**(8,284)**	(7,568)
Gain on deemed disposal of subsidiaries		**4,635**	–
Share of loss of associates		**(1,580)**	–
Profit before tax		**19,219**	1,889
Income tax expense	*6*	**(16,973)**	(7,867)
Profit/(Loss) for the period	*7*	**2,246**	(5,978)
Attributable to			
Owners of the Company		**2,473**	381
Non-controlling interests		**(227)**	(6,359)
		2,246	(5,978)
Earnings per share	*9*		
– Basic *(HK cents)*		**0.28**	0.04
– Diluted *(HK cents)*		**0.20**	0.04

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit/(Loss) for the period	**2,246**	(5,978)
Other comprehensive income:		
Item that will be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(19,150)**	39
Exchange differences reclassified to profit or loss on deemed disposal of subsidiaries	**(37)**	–
Other comprehensive income for the period, net of tax	**(19,187)**	39
Total comprehensive income for the period	**(16,941)**	(5,939)
Attributable to:		
Owners of the Company	**(16,727)**	420
Non-controlling interests	**(214)**	(6,359)
	(16,941)	(5,939)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 30 June 2016** *HK$'000* **(unaudited)**	As at 31 December 2015 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment	*10*	**728,485**	899,035
Intangible assets		**718**	718
Investments in associates		**3,498**	–
Deposits paid for acquisition of property, plant and equipment		**6,891**	7,066
Deferred tax assets		**3,768**	12,282
		743,360	919,101
Current assets			
Inventories		**177,813**	173,924
Trade receivables	*11*	**402,794**	361,385
Prepayments, deposits and other receivables		**63,915**	64,526
Due from associates		**1,389**	–
Restricted bank balances		**4,035**	4,117
Bank and cash balances		**264,870**	260,529
		914,816	864,481
Assets classified as held for sale		**127,152**	8,020
Total current assets		**1,041,968**	872,501
Current liabilities			
Trade payables	*12*	**255,949**	225,906
Deposits received		**9,788**	330
Other payables and accruals		**92,562**	87,681
Due to a related company		**1,492**	1,895
Due to associates		**617**	–
Financial liabilities at fair value through profit or loss		**27,178**	52,434
Bank borrowings		**618,649**	422,536
Current tax liabilities		**22,859**	24,585
		1,029,094	815,367
Liabilities directly associated with assets classified as held for sale		**–**	2,502
Total current liabilities		**1,029,094**	817,869

	As at 30 June 2016 *HK$'000* (unaudited)	As at 31 December 2015 *HK$'000* (audited)
Net current assets	**12,874**	54,632
Total assets less current liabilities	**756,234**	973,733
Non-current liabilities		
Financial liabilities at fair value through profit and loss	**–**	25,934
Bank borrowings	**9,375**	181,051
Deferred tax liabilities	**34,655**	35,248
	44,030	242,233
NET ASSETS	**712,204**	731,500
Capital and reserves		
Share capital	**89,376**	89,376
Reserves	**622,828**	639,555
Equity attributable to owners of the Company	**712,204**	728,931
Non-controlling interests	**–**	2,569
TOTAL EQUITY	**712,204**	731,500

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATION INFORMATION

The Group is principally engaged in the sale and manufacture of zinc, magnesium and aluminium alloy die casting and plastic injection products and components as well as lighting products which are mainly sold to customers engaging in the household products, 3C (communication, computer and consumer electronics) products, automotive parts and lighting products industries.

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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of the 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.

These condensed financial statements should be read in conjunction with the 2015 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2015.

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold, net of returns and allowances to customers during the period.

For management purposes, the Group's operation is currently categorised into five (2015: five) operating divisions – zinc, magnesium and aluminium alloy die casting, plastic injection products and components and lighting products. 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.

Segment profits or losses do not include interest income, finance costs, gain or loss from derivative instruments, income tax expense, provisional gain on a bargain purchase, gain on deemed disposal of subsidiaries, share of loss of associates, corporate income and corporate expenses.

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

	Zinc alloy die casting	**Magnesium alloy die casting**	**Aluminium alloy die casting**	**Plastic injection**	**Lighting Products**	**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 2016						
Revenue from external customers	**118,343**	**326,581**	**104,557**	**191,826**	**11,775**	**753,082**
Segment profit/(loss)	**1,400**	**11,962**	**4,800**	**11,541**	**(2,234)**	**27,469**

	Zinc alloy die casting	Magnesium alloy die casting	Aluminium alloy die casting	Plastic injection	Lighting Products	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 2015						
Revenue from external customers	126,646	246,525	114,437	210,483	3,130	701,221
Segment (loss)/profit	(416)	1,730	2,906	19,469	(23,834)	(145)

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Reconciliation of reportable segment profit or loss		
Total profit or loss of reportable segments	**27,469**	(145)
Unallocated amounts:		
Interest income	**285**	1,377
Gain on financial liabilities at fair value through profit or loss	**15,888**	13,810
Provisional gain on a bargain purchase	**–**	7,849
Gain on deemed disposal of subsidiaries	**4,635**	–
Share of loss of associates	**(1,580)**	–
Finance costs	**(8,284)**	(7,568)
Corporate income	**26**	170
Corporate expenses	**(19,220)**	(13,604)
Income tax expense	**(16,973)**	(7,867)
Consolidated profit/(loss) for the period	**2,246**	(5,978)

4. OTHER INCOME

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income	**285**	1,434
Reimbursement from customers	**5,151**	4,854
Others	**3,078**	1,739
	8,514	8,027

5. FINANCE COSTS

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest expenses on bank borrowings	**8,728**	7,568
Amount capitalised	**(444)**	–
	8,284	7,568

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	**9,215**	1,868
Current tax – PRC enterprise income tax		
Provision for the period	**7,758**	5,999
	16,973	7,867

Hong Kong Profits Tax has been provided at a rate of 16.5% for the six months ended 30 June 2016 (for the six months ended 30 June 2015: 16.5%) on the estimated assessable profits for the relevant period. Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates based on existing legislation, interpretation and practices in respect thereof.

7. PROFIT/(LOSS) FOR THE PERIOD

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

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Amortisation of intangible assets	**–**	1,201
Depreciation of property, plant and equipment	**45,850**	39,946
Loss/(Gain) on disposal of property, plant and equipment	**76**	(58)
Property, plant and equipment written off	**5**	93
Interest income	**(285)**	(1,434)
Gain on financial liabilities at fair value through profit or loss	**(15,888)**	(13,810)
Allowance for inventories	**138**	62

8. DIVIDENDS

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Dividends paid during the period		
Final dividend for the year ended 31 December 2015: nil (2014: HK1.6 cents per ordinary share)	**–**	14,300

The board of directors does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2016 and 2015.

9. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**2,473**	381
Effect of profit attributable to the non-controlling interest assuming 300 shares of a subsidiary, Katchon Precision Holdings Company Limited, were issued to the seller of Goodly Precision Industrial Limited, pursuant to the contingent consideration arrangement of the business combination	**(719)**	–
Profit attributable to owners of the Company, used in the diluted earnings per share calculation	**1,754**	381
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	**893,761,400**	893,761,400
Effect of dilutive potential ordinary shares arising from share options	**32,122**	62,366
Weighted average number of ordinary shares used in diluted earnings per share calculation	**893,793,522**	893,823,766

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group had disposed of certain property, plant and equipment with a carrying amount of approximately HK$209,000 (unaudited) (for the year ended 31 December 2015: HK$707,000 (audited)) for proceeds of approximately HK$133,000 (unaudited) (for the year ended 31 December 2015: HK$440,000 (audited)), resulting in a loss on disposal of approximately HK$76,000 (unaudited) (for the year ended 31 December 2015: HK$267,000 (audited)).

The Group had written off certain property, plant and equipment with a carrying amount of approximately HK$5,000 (unaudited) (for the year ended 31 December 2015: HK$3,888,000 (audited)).

In addition, the Group acquired property, plant and equipment of approximately HK$18,786,000 (unaudited) (for the year ended 31 December 2015: HK$111,838,000 (audited)), and also acquired property, plant and equipment arising from acquisition of business of approximately HK$Nil (unaudited) (for the year ended 31 December 2015: HK$15,497,000 (audited)).

11. TRADE RECEIVABLES

The Group normally allows credit terms to customers ranging from 30 to 120 days (31 December 2015: 30 to 120 days) after end of the month in which the invoices have been issued. The ageing analysis of trade receivables as at 30 June 2016, based on the invoice date, and net of allowance, is as follows:

	As at 30 June 2016 *HK$'000* **(unaudited)**	As at 31 December 2015 *HK$'000* (audited)
0 to 30 days	**225,211**	149,268
31 to 60 days	**44,203**	113,081
61 to 90 days	**72,920**	46,896
91 to 180 days	**57,720**	50,196
Over 180 days	**2,740**	2,526
	402,794	361,967
Reclassified as held for sale	**–**	(582)
	402,794	361,385

12. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days (31 December 2015: 30 to 90 days) from its suppliers. The ageing analysis of trade payables as at 30 June 2016, based on the date of receipt of goods, is as follows:

	As at 30 June 2016 *HK$'000* **(unaudited)**	As at 31 December 2015 *HK$'000* (audited)
0 to 30 days	**137,421**	60,775
31 to 60 days	**5,354**	55,845
61 to 90 days	**57,177**	52,850
91 to 180 days	**50,492**	51,415
Over 180 days	**5,505**	5,183
	255,949	226,068
Reclassified as held for sale	**–**	(162)
	255,949	225,906

13. COMPARATIVE FIGURES

Certain comparative figures were reclassified to conform with current accounting period's presentation. The changes include the grouping of gain on disposal of property, plant and equipment, property, plant and equipment written off and gain on financial liabilities at fair value through profit or loss under "other operating income and expenses" line item.

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Overview

The general business environment was complex over the past six months in 2016 (the "Period"). The lack of new major models launched in the smartphone and ultrabook market, together with the high penetration of mobile devices in major markets, hindered the global shipment of personal computer ("PC") during the Period. According to the industry data from Gartner Inc. and International Data Corporation ("IDC"), global PC shipment has dropped by 5.2% in the second quarter of 2016, which is the 7th consecutive declining quarter; while smartphone global shipment has plateaued in the first quarter of 2016, increasing only by 0.6 million units year-on-year. Despite the global demand for notebook and ultrabook computers remained weak during the Period, the Group has been able to secure good sales orders especially in magnesium alloy because of its diversified customer base and ability to provide versatile solutions for development of ultrabooks or tablets. Magnesium alloy is the preferred material for the mid to high end computer and consumer products due to its light weight characteristics and strength in protection. On the other hand, the Group's plastic, zinc alloy and aluminium alloy die casting business continued to act as stable revenue contributors to the Group. In view of the above, the Group's overall revenue in the first half of the year slightly increased by 7.4% year-on-year to HK$753,082,000 (2015 first half: HK$701,221,000). Gross profit margin has also increased slightly by 0.2 percentage points to 18.1%, from 17.9% for the corresponding period last year. Rising operating costs, stringent safety requirements and environmental protection in China and volatility of currencies have brought challenges to operate in the current business environment. Profit attributable to owners of the Company was approximately HK$2,473,000 (2015 first half: HK$381,000) and the Group's EBITDA, computed as profit before tax, depreciation, amortisation of intangible assets and finance costs, amounted to HK$73,353,000 (2015 first half: HK$50,604,000).

In view of the volatile foreign exchange market, the Group has rectified and minimised its future exposure in foreign exchange in the Period. As a result, the Group recorded a reversal on forward foreign exchange contracts amounted to HK$15,888,000 arising from settlements and change in fair value of these contracts.

Ever since the restructure of the plasma lighting business in early 2016, the Group has been working with a strategic partner and lowered its shareholdings in the business to 38.9%. The Group was relieved from the financial burden of this operation during the challenging phase of product development.

In spite of the complex operating environment, the Group is cautiously optimistic about the development across all business segments. In this fast-changing business landscape, the Group will continue to offer customers with effective total product solutions, advanced production technology and the application of new materials, as well as to explore new business applications and strategic opportunities. In order to create better synergies, improve operational efficiency of different business units and have cost savings, the Group has been relocating its production lines and consolidating its facilities in Shenzhen and Huizhou in China. The Group would enhance its value by rationalising its facilities, including possible sale of assets.

(B) Financial Review

The Group's revenue for the six months ended 30 June 2016 was resulted to be increased by 7.4% to HK$753,082,000 (2015 first half: HK$701,221,000), as compared with the corresponding period in 2015. In the first six months of the year, the Group achieved 32.5% increment on the sales of its magnesium alloy die casting business and the sales volume increased in this business segment had more than compensated the sales volume dropped in the plastic injection moulding, zinc alloy and aluminium alloy die casting business segments.

Due to the increase in the Group's overall revenue while maintaining gross profit margin, its gross profit for the first half of 2016 increased by 8.9% to HK$136,350,000 (2015 first half: HK$125,228,000). The overall gross profit margin also raised slightly from 17.9% in 2015 first half to 18.1%.

During the period under review, a reversal of loss arising from settlements and fair value changes on forward foreign exchange contracts had been occurred. Thus, a gain on financial liabilities at fair value through profit or loss amounted to HK$15,888,000 had been recorded as other operating income in the Group's results for the six months ended 30 June 2016. Accordingly, there was a reversal of deferred tax assets which resulted in an increase of approximately HK$8,433,000 in the Group's income tax expenses for the six months ended 30 June 2016.

Furthermore, during the period under review, the Group had introduced a new strategic partner to invest and manage the plasma lighting business jointly and the newly injected capital had substantially diluted the Group's shareholding in Topanga Asia Limited from 79.7% to 38.9%, resulting in a gain on deemed disposal of subsidiary of HK$4,635,000 which had been generated and recorded in the Group's results for the six months ended 30 June 2016.

As a result, the Group recorded a profit attributable to owners of the Company of HK$2,473,000 (2015 first half: HK$381,000) and the Group's EBITDA, computed as profit before tax, depreciation, amortisation of intangible assets and finance costs, amounted to HK$73,353,000 (2015 first half: HK$50,604,000).

(C) Business Review

Magnesium alloy die casting business

As a result of stronger demand of light weight metal solutions especially in magnesium, the Group achieved a significant sales increase mostly in the computer business despite of the unfavourable market condition the industry faced. Revenue from magnesium alloy die casting business increased by 32.5% to HK$326,581,000 (2015 first half: HK$246,525,000), accounting for 43.4% (2015 first half: 35.2%) of the Group's revenue. In view of the market need, the Group would continue to expand its customer base in order to capture a larger market share in the notebook or ultrabook computer casing business. In addition, to further expand its income stream and diversify its business risks, the Group is committed to explore further applications of magnesium alloy in different business verticals such as consumer products and automotive components which could be in line with the upcoming trend towards 'vehicle weight reduction'.

Plastic injection moulding business

As less new smartphone models launched in the market over the past six months, the revenue of overall plastic injection moulding business had dropped by 8.9% to HK$191,826,000 (2015 first half: HK$210,483,000) as compared with the previous corresponding period. However, there is a strong growth of plastic injection business in automotive applications during the period under review. The plastic injection segment contributed 25.5% (2015 first half: 30.0%) to the Group's total revenue.

Zinc alloy die casting business

During the period under review, the revenue of zinc alloy die casting business decreased by 6.6% to HK$118,343,000 (2015 first half: HK$126,646,000) as compared with the same period last year, accounting for 15.7% (2015 first half: 18.1%) of the Group's overall revenue.

Aluminium alloy die casting business

Due to slowdown of the market demand for aluminium alloy die casting products, the revenue of this business segment decreased by 8.6% to HK$104,557,000 (2015 first half: HK$114,437,000), which accounted for 13.9% of the Group's overall revenue (2015 first half: 16.3%).

Lighting products

During the first half of 2016, the revenue of lighting products business increased by 276.2% to HK$11,775,000 (2015 first half: HK$3,130,000). The increase in revenue was mainly derived from the sale of LED lighting products to commercial customers in the United States of America ("USA").

(D Prospects

In the second half of 2016, it is expected that global economy will remain sluggish. In the face of the hard times ahead, we will strive to reinforce the businesses with the Group's competitive strength, while continue to seek breakthroughs and strategic development for a long-term business sustainability.

For the magnesium alloy die casting business segment, ultrabook and tablet computer will continue to remain as customers' preferences according to market trends, due to its light-weight characteristics and strength in protection. Even though the global PC shipment has continuously declined, the Group believes that there is still room for development as the PC market is still huge with an annual revenue exceeding 300 billion Euro per year. At the same time, different PC brands will continue to launch new lighter products in the future, whilst developing business by expansions into emerging markets. These emerging markets are expected to be the new growth drivers to the PC brands in the coming years. Being the supplier of the world's top three PC brands, the Group will benefit from the new product cycles and expansion plans of its customers. The Group will also continuously broaden its customer portfolio and explore other applications of magnesium alloy so as to maintain the segment's growth momentum in the future.

Apart from computer casings business, the Group has tapped into the lucrative consumer product and the automobile component businesses to explore further applications of light metal alloy. The new energy vehicle market has been developing rapidly under Chinese Government's supportive policy, such as the 13th Five-year Plan. According to the Blue Book of New Energy Vehicle (新能源汽車藍皮書) published by the China Automotive Technology & Research Center (中國汽車技術研究中心) in July 2016, the number of new energy vehicles sold in China has reached approximately 170,000 units over the first half of 2016. It is estimated that the annual sales will continue to increase and reach approximately 700,000 units by the end of 2016, growing by 112.1% compared to the figure in 2015. The Group believes that the rising need in new energy vehicles will subsequently, thus deriving vast demand for light-weight automotive components. With magnesium alloy's characteristics of being light-weight and its high functionality, it goes in-line with the trend of "vehicle weight reduction" and magnesium alloy automotive components will perfectly serve the purpose of energy conservation and environmental protection. Under such circumstance, the Group considers this as a huge market potential to be captured. Currently, the Group has been developing advanced production technologies and new composite materials to cater for the growing needs of the market. At the same time, the Group will further build up its customer base and support in the Eastern China Region through its business operation in this region, with a view to expanding its product portfolio in automotive components and maximising the synergies of metal alloy together with the plastic segment. With the strategic positioning and strong determination, the Group is positive with the development of die casting industry using new material and is ready to capture the opportunities brought forward by the growing trend of "vehicle weight reduction" and "new energy vehicles".

On the other hand, the development of the plastic moulding business has been slow due to the delay in new smartphone and tablet launches. Nevertheless, the Group foresees that new models will be launched in the second half of 2016, which will subsequently stimulate new demand for related plastic protective cases. Leveraging on the expertise as a professional one-stop solution provider in plastic injection, the Group is consistently bringing value to customers by providing quality products with superior functionality that suits the stringent requirements from its customers.

Apart from the core businesses, the B2B LED lighting business will continue to grow. The new lighting business aims to provide tailor-made lighting products to contractors mainly for offices and residential use in the USA. The new operation has started to record operating profit in the first half of this year since the establishment in early 2015 and the Group will continue to build a stronger customer network and business coverage in the coming years. With the platform built in the USA, the Group is ready to explore future international market for consumer products with our own brand name and to tap into new B2B and B2C markets in the USA. This new direction will ultimately extend the Group's product portfolio, enhance profitability and create synergies with other core business segments.

Looking ahead, prudent and cautious strategies will be taken in exploring new business opportunities, while minimising business risk that might incurred. The Group will strive to strengthen its existing business segments as well as explore strategic opportunities. By rationalising and consolidating its operations, the Group would be able to achieve better value of its assets and resources. The Group remains cautiously optimistic towards future business and strategic development and achieves sustainable growth in forthcoming future.

(E) Liquidity and Financial Resources

As at 30 June 2016, the Group had restricted bank balances as well as bank and cash balances of approximately HK$268,905,000 (2015: HK$267,496,000), most of which were either denominated in US dollars, Renminbi or Hong Kong dollars.

Total interest-bearing borrowings of the Group as at 30 June 2016 were approximately HK$628,024,000 (2015: HK$603,587,000), comprising of bank loans only. Most of the borrowings were denominated in Hong Kong dollars or US dollars to which the interest rates applied were primarily subject to floating interest rate.

As at 30 June 2016, the net gearing ratio (a ratio of the sum of total interest-bearing borrowings and obligations under finance leases less bank and cash balances then divided by total equity) of the Group was approximately 50.4% (2015: 45.9%).

As at 30 June 2016, the net current assets of the Group were approximately HK$12,874,000 (2015: HK$54,632,000), which consisted of current assets of approximately HK$1,041,968,000 (2015: HK$872,501,000) and current liabilities of approximately HK$1,029,094,000 (2015: HK$817,869,000), representing a current ratio of approximately 1.0 (2015: 1.1).

(F) Exposure to Foreign Exchange Risk

Most of the Group's transactions were conducted in US dollars, Hong Kong dollars or Renminbi. As such, the Group is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between US dollars, Renminbi and Hong Kong dollars. The Group will closely monitor its overall foreign exchange exposure with a view to safeguarding the Group from exchange rate risks.

(G) Contingent Liabilities

As at 30 June 2016, the Group had no material contingent liabilities.

(H) Charge on Assets

As at 30 June 2016, the Group's banking facilities were secured by the guarantees of a property situated in Hong Kong owned by the Group.

(I) Human Resources

As at 30 June 2016, the Group had approximately 6,200 full-time employees (31 December 2015: 5,800). The Group attributes its success to the hard work and dedication of its staff as a whole, 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 competitive salary package, including retirement scheme, medical benefit and bonus. The Group's remuneration policy and structure is 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 incentive and reward for those qualifying staff who have made contribution to the Group.

The Group provides regular training courses for different level 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 sport competitions and interest groups. The aim is to promote interaction among staff, establish harmonious team spirit and promote healthy lifestyle.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period under review.

AUDIT COMMITTEE

The Company established the Audit Committee in June 2007. The primary duties of the Audit Committee are to review and approve the financial reporting process and internal control system of the Group and provide advice and comments to the Board. The Audit Committee comprises four independent non-executive directors, namely Mr. Kong Kai Chuen, Frankie, Mr. Sun Kai Lit, Cliff *BBS, JP*, Ir Dr. Lo Wai Kwok *SBS, MH, JP* and Mr. Andrew Look and is chaired by Mr. Kong Kai Chuen, Frankie, a qualified accountant with extensive experience in financial reporting and controls.

NOMINATION COMMITTEE

The Nomination Committee was set up in June 2007 and is mainly responsible for reviewing the structure, size and the composition of the Board and making recommendations on any proposed change to the Board to complement the Company's corporate strategy; assessing the independence of independent non-executive directors; making recommendations to the Board on the appointment of directors and succession planning for directors. The members of the Nomination Committee are Mr. Sun Kai Lit, Cliff *BBS, JP*, Ir Dr. Lo Wai Kwok *SBS, MH, JP*, Mr. Andrew Look, Mr. Kong Kai Chuen, Frankie and Dr. Wong Cheong Yiu. Mr. Sun Kai Lit, Cliff *BBS, JP* is the Chairman of the Nomination Committee.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in June 2007. The major duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for the remuneration of directors and senior management. It also reviews and determines the terms of remuneration packages, the award of bonuses and other compensation payable to individual directors and senior management with reference to the Board's corporate goals and objectives. The Remuneration Committee consists of Mr. Sun Kai Lit, Cliff *BBS, JP*, Ir Dr. Lo Wai Kwok *SBS, MH, JP*, Mr. Andrew Look, Mr. Kong Kai Chuen, Frankie and Dr. Wong Cheong Yiu. The Chairman of the Remuneration Committee is Mr. Sun Kai Lit, Cliff *BBS, JP*, an independent non-executive director.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, all directors have confirmed that they have fully complied with the required standard set out in the Model Code during the period under review.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2016.

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 2016

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Lee Yuen Fat, Dr. Wong Cheong Yiu and Mr. Wong Wing Chuen, and four independent non-executive directors, namely Mr. Sun Kai Lit Cliff BBS, JP, Ir Dr. Lo Wai Kwok SBS, MH, JP, Mr. Andrew Look and Mr. Kong Kai Chuen, Frankie.