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## KA SHUI INTERNATIONAL HOLDINGS LIMITED

### 嘉瑞國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 822)

## ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS	For the six months ended 30 June		+ / (-)
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited) (restated)	
<b>RESULTS</b>			
Revenue	693,717	720,389	(3.7%)
Gross profit	155,428	193,336	(19.6%)
Profit attributable to owners of the Company	18,502	51,527	(64.1%)
EBITDA	72,302	110,293	(34.4%)
<b>PER SHARE DATA</b>			
Earnings per share for profit attributable to owners of the Company			
— Basic (HK cents)	2.07	5.77	(64.1%)
— Diluted (HK cents)	N/A	N/A	N/A

The board (the “**Board**”) of directors (the “**Directors**”) of Ka Shui International Holdings Limited (the “**Company**” or “**Ka Shui**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022, together with the comparative figures for the corresponding period in 2021.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
	Note	(unaudited)	(unaudited) (restated)
<b>Revenue</b>	4	693,717	720,389
Cost of sales		<u>(538,289)</u>	<u>(527,053)</u>
Gross profit		155,428	193,336
Other income	5	10,090	16,649
Loss on deregistration of a subsidiary		—	(100)
Selling and distribution expenses		(17,798)	(17,452)
General and administrative expenses		(123,804)	(123,553)
Other operating expenses and income		<u>(3,079)</u>	<u>(3,763)</u>
<b>Profit from operations</b>		20,837	65,117
Finance costs	6	(1,767)	(2,494)
Share of loss of an associate		<u>(472)</u>	<u>(141)</u>
Profit before tax		18,598	62,482
Income tax expense	7	<u>(3,836)</u>	<u>(12,072)</u>
<b>Profit for the period</b>	8	<u>14,762</u>	<u>50,410</u>
<b>Attributable to</b>			
Owners of the Company		18,502	51,527
Non-controlling interests		<u>(3,740)</u>	<u>(1,117)</u>
		<u>14,762</u>	<u>50,410</u>
<b>Earnings per share</b>			
— Basic (HK cents)	10	<u>2.07</u>	<u>5.77</u>
— Diluted (HK cents)	10	<u>N/A</u>	<u>N/A</u>

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

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Profit for the period</b>	<b>14,762</b>	50,410
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<b>(26,073)</b>	(1,028)
Release of translation reserve upon deregistration of a subsidiary	<u>—</u>	<u>(100)</u>
<b>Other comprehensive income for the period, net of tax</b>	<u><b>(26,073)</b></u>	<u>(1,128)</u>
<b>Total comprehensive income for the period</b>	<u><b>(11,311)</b></u>	<u>49,282</u>
<b>Attributable to</b>		
Owners of the Company	<b>(7,004)</b>	50,558
Non-controlling interests	<u><b>(4,307)</b></u>	<u>(1,276)</u>
	<u><b>(11,311)</b></u>	<u>49,282</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at <b>30 June</b> <b>2022</b> <i>HK\$'000</i> <b>(unaudited)</b>	As at 31 December 2021 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>		
Property, plant and equipment	527,550	547,487
Right-of-use assets	250,902	244,968
Goodwill	2,654	2,654
Other intangible assets	3,603	3,835
Club membership	718	718
Investment in an associate	8,177	8,949
Deposits paid for acquisition of property, plant and equipment	19,569	13,411
Deferred tax assets	96	99
	<b>813,269</b>	822,121
<b>Current assets</b>		
Inventories	231,780	209,363
Right of return assets	55	54
Trade and bills receivables	11 <i>375,124</i>	453,082
Contract assets	11,913	14,132
Prepayments, deposits and other receivables	52,789	49,543
Due from an associate	194	212
Current tax assets	1,748	1,474
Restricted bank balances	1,960	2,029
Bank and cash balances	241,467	280,683
	<b>917,030</b>	1,010,572

		As at 30 June 2022 <i>HK\$'000</i> <b>(unaudited)</b>	As at 31 December 2021 <i>HK\$'000</i> (audited)
<b>Current liabilities</b>			
Trade payables	12	201,637	209,935
Contract liabilities		9,869	7,854
Refund liabilities		242	241
Other payables and accruals		91,466	103,801
Due to an associate		21	121
Derivative financial instruments		2,974	3,486
Bank borrowings		83,870	132,858
Lease liabilities		13,866	8,894
Current tax liabilities		24,463	22,936
		<u>428,408</u>	<u>490,126</u>
<b>Net current assets</b>		<u>488,622</u>	<u>520,446</u>
<b>Total assets less current liabilities</b>		<u>1,301,891</u>	<u>1,342,567</u>
<b>Non-current liabilities</b>			
Bank borrowings		—	10,500
Loan from non-controlling interests		803	803
Lease liabilities		14,279	5,582
Deferred tax liabilities		30,531	31,280
		<u>45,613</u>	<u>48,165</u>
<b>NET ASSETS</b>		<u><u>1,256,278</u></u>	<u><u>1,294,402</u></u>
<b>Capital and reserves</b>			
Share capital		89,376	89,376
Reserves		1,156,886	1,190,703
		<u>1,246,262</u>	<u>1,280,079</u>
Equity attributable to owners of the Company		1,246,262	1,280,079
Non-controlling interests		10,016	14,323
<b>TOTAL EQUITY</b>		<u><u>1,256,278</u></u>	<u><u>1,294,402</u></u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATION INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 7 January 2005. The address of its registered office is 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 aluminum alloy and plastic products and components which are mainly sold to customers engaging in the household products, 3C (communication, computer and consumer electronics) products, automotive parts and precision components.

In the opinion of the directors of the Company, as at 30 June 2022, Precisefull Limited, a company incorporated in the British Virgin Islands, is the ultimate parent and Mr. Lee Yuen Fat ("**Mr. Lee**") is the ultimate controlling party of the Company.

### 2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

These condensed consolidated financial statements should be read in conjunction with the 2021 annual consolidated financial statements. The accounting policies (including the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the Group's annual consolidated financial statements for the year ended 31 December 2021.

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

The accounting policies applied in these condensed consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2021. In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2022 but they do not have a material effect on the Group's financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

#### 4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of zinc, magnesium and aluminum alloy and plastic products and components, trading of lighting products, production of smart home products and provision of new energy vehicle power systems.

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

For management purposes, the Group's operation is currently categorised into seven (2021: seven) operating divisions — zinc, magnesium, aluminum alloy, plastic products and components, trading of lighting products, production of smart home products, and provision of new energy vehicle power systems. These divisions are the basis of the Group's five reportable segments. The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and different cost measurement.

The Group's other operating segments include trading of lighting products, production of smart home products and provision of new energy vehicle power systems. None of these segments meets any of the quantitative thresholds for determining reportable segments. The information of these other operating segments is included in the "Others" column.

Segment profits or losses do not include interest income, corporate income, share of loss of an associate, loss on deregistration of a subsidiary, net fair value loss on derivative financial instruments, corporate expenses, finance costs and income tax expense.

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

	Zinc alloy <i>HK\$'000</i> (unaudited)	Magnesium alloy <i>HK\$'000</i> (unaudited)	Aluminum alloy <i>HK\$'000</i> (unaudited)	Plastic <i>HK\$'000</i> (unaudited)	Others <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
For the six months ended						
30 June 2022						
Revenue from external customers	52,413	219,429	83,199	311,909	26,767	693,717
Segment profit/(loss)	539	10,453	2,784	15,636	(2,634)	26,778
Depreciation and amortisation	<u>3,726</u>	<u>13,325</u>	<u>4,879</u>	<u>26,750</u>	<u>1,834</u>	<u>50,514</u>
	Zinc alloy <i>HK\$'000</i> (unaudited)	Magnesium alloy <i>HK\$'000</i> (unaudited)	Aluminum alloy <i>HK\$'000</i> (unaudited)	Plastic <i>HK\$'000</i> (unaudited)	Others <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
For the six months ended						
30 June 2021						
Revenue from external customers	75,441	193,469	63,694	365,082	22,703	720,389
Segment profit/(loss)	2,444	25,088	3,732	38,522	(2,658)	67,128
Depreciation and amortisation	<u>3,976</u>	<u>11,519</u>	<u>3,018</u>	<u>24,283</u>	<u>1,351</u>	<u>44,147</u>

	For the six months ended 30 June	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
<b>Reconciliation of reportable segment profit or loss:</b>		
Total profit of reportable segments	26,778	67,128
Unallocated amounts:		
Interest income	292	684
Share of loss of an associate	(472)	(141)
Finance costs	(1,767)	(2,494)
Corporate expenses	(6,233)	(2,695)
Income tax expense	(3,836)	(12,072)
	<u>14,762</u>	<u>50,410</u>

## 5. OTHER INCOME

	For the six months ended 30 June	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Interest income	292	684
Reimbursement from customers	2,234	4,108
Sales of scrap materials	2,451	5,611
Government grants	1,922	3,499
Others	3,191	2,747
	<u>10,090</u>	<u>16,649</u>

## 6. FINANCE COSTS

	For the six months ended 30 June	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Interest expenses on bank borrowings	1,215	2,136
Interest expenses on lease liabilities	552	358
	<u>1,767</u>	<u>2,494</u>

## 7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Current tax — Hong Kong Profits Tax		
Provision for the period	5,529	5,940
Over-provision in prior years	(2,724)	—
Current tax — Income tax outside Hong Kong		
Provision for the period	899	5,918
Under-provision in prior years	132	214
	<u>3,836</u>	<u>12,072</u>

Under the two-tiered profits tax regime, the first HK\$2 million of assessable profits of qualifying corporations established in Hong Kong is lowered to 8.25%, and assessable profits above HK\$2 million will be subject to the tax rate of 16.5%. 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% (for the six months ended 30 June 2021: 16.5%).

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates based on existing legislation, interpretation and practices in respect thereof.

## 8. PROFIT FOR THE PERIOD

The Group's profit for the period is arrived at after charging:

	For the six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Cost of inventories sold ( <i>note (b)</i> )	538,289	527,053
Amortisation of intangible assets	232	—
Depreciation of property, plant and equipment	42,884	37,408
Depreciation of right-of-use assets	8,821	7,909
Net exchange loss	473	338
Loss on disposal of property, plant and equipment	2,862	1,088
Property, plant and equipment written off	84	1,523
Net fair value loss on derivative financial instruments ( <i>note (a)</i> )	133	1,152
Research and development expenditure	<u>26,499</u>	<u>19,781</u>

Notes:

- (a) These amounts are included in other operating expenses and income.
- (b) Cost of inventories sold includes staff costs and depreciation of approximately HK\$201,449,000 (2021: HK\$184,206,000), which are included in the amounts disclosed separately above.

## 9. DIVIDENDS

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividends paid during the period		
Final dividend for the year ended 31 December 2021		
HK3.0 cents per ordinary share (Final dividend for the year ended 31 December 2020 HK3.0 cents per ordinary share)	<u>26,813</u>	<u>26,813</u>

Subsequent to the reporting period, the Board declared the payment of an interim dividend in respect of the six months ended 30 June 2022 of HK0.3 cent (2021: HK1.0 cent per ordinary share, totaling approximately HK\$2,681,000 (2021: HK\$8,938,000)). The interim dividend for the six months ended 30 June 2022 has not been recognised as a liability at the end of the reporting period.

## 10. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	<u>18,502</u>	<u>51,527</u>
<b>Number of shares</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares used in basic earnings per share calculation	<u>893,761</u>	<u>893,761</u>

No diluted earnings per share are presented as the Company did not have any dilutive potential shares during the six months ended 30 June 2022 and 2021.

## 11. TRADE AND BILLS RECEIVABLES

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
Trade receivables	371,249	445,961
Bills receivables	<u>3,875</u>	<u>7,121</u>
	<u><u>375,124</u></u>	<u><u>453,082</u></u>

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 120 days (31 December 2021: 30 to 120 days) after the end of the month in which the invoices issued. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors. The ageing analysis of trade receivables as at 30 June 2022, based on the invoice date, and net of allowance for doubtful debt, is stated as follows:

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
0 to 30 days	171,119	181,915
31 to 60 days	69,494	135,361
61 to 90 days	71,653	101,984
91 to 180 days	57,566	25,940
Over 180 days	1,762	1,114
Less: allowance for bad and doubtful debts	<u>(345)</u>	<u>(353)</u>
	<u><u>371,249</u></u>	<u><u>445,961</u></u>

## 12. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days (31 December 2021: 30 to 90 days) from its suppliers. The ageing analysis of trade payables as at 30 June 2022, based on the date of receipt of goods, is as follows:

	<b>As at 30 June 2022 HK\$'000 (unaudited)</b>	<b>As at 31 December 2021 HK\$'000 (audited)</b>
0 to 30 days	76,759	72,849
31 to 60 days	52,572	58,065
61 to 90 days	28,596	40,400
91 to 180 days	27,672	32,944
Over 180 days	16,038	5,677
	<u>201,637</u>	<u>209,935</u>

## 13. COMPARATIVE FIGURES

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### (A) Financial Review

During the first half of 2022, the continuing COVID-19 pandemic has weakened both local and global consumption markets. In view of this, the Group's revenue for the six months ended 30 June 2022 (the "Period") was affected and recorded a decrease of approximately 3.7% to HK\$693,717,000 (2021 first half: HK\$720,389,000) when compared with the same period last year. In addition, interruptions in business activities due to the COVID-19 pandemic in the second quarter of 2022 has imposed an adverse impact on domestic and global supply chains, resulting in higher costs of production of the Group and changes of orders from customers and product mix had led to a decrease in the Group's gross profit margin. As a result, the Group's gross profit dropped by approximately 19.6% to HK\$155,428,000 (2021 first half: HK\$193,336,000 (restated)) and gross profit margin was 22.4% (2021 first half: 26.8% (restated)).

Due to the decrease in revenue and gross profit, the consolidated profit attributable to owners of the Company for the Period decreased by approximately 64.1% to HK\$18,502,000 (2021 first half: HK\$51,527,000). The Group's EBITDA, computed as profit before tax, depreciation, amortisation of intangible assets and finance costs, amounted to approximately HK\$72,302,000 (2021 first half: HK\$110,293,000).

### (B) Business Review

#### *Plastic business*

Affected by weak global consumption market due to COVID-19 pandemic, the revenue of plastic business for the Period had decreased by approximately 14.6% to HK\$311,909,000 (2021 first half: HK\$365,082,000) as compared with the previous corresponding period. The contribution of this business segment to the Group's total revenue had also decreased to 45.0% (2021 first half: 50.7%) in the first half of 2022. The Group will strive to acquire more customer orders by providing more varieties of quality products and services for plastic injection and precision products in order to enlarge its market share.

#### *Magnesium alloy business*

Benefitted from the flourishing development of new energy vehicles, the revenue of magnesium alloy business for the Period increased by approximately 13.4% to HK\$219,429,000 (2021 first half: HK\$193,469,000), accounting for approximately 31.6% of the Group's overall revenue (2021 first half: 26.9%). Leveraging on the flourishing development of new energy vehicles, the Group will continue to expand on the different applications of magnesium alloy in new energy vehicles in order to capture the business opportunity to further expand its customer base and increase its market share.

### ***Aluminium alloy business***

Driven by the increase in sales of new energy vehicles, the revenue of aluminum alloy business has recorded a significant increase of approximately 30.6% to HK\$83,199,000 (2021 first half: HK\$63,694,000). The contribution of this segment also increased to approximately 12.0% of the Group's overall revenue (2021 first half: 8.8%). The Group will continue to explore the application of aluminum alloy in new energy vehicles with a view to realizing the growth potential for this segment and enhance the profitability of this segment.

### ***Zinc alloy business***

As a result of the poor market demand on household products caused by the COVID-19 pandemic in the Period, the revenue of zinc alloy business decreased by approximately 30.5% to HK\$52,413,000 (2021 first half: HK\$75,441,000) as compared with the same period last year, accounting for approximately 7.6% (2021 first half: 10.5%) of the Group's overall revenue.

### ***Others***

The revenue during the Period of other businesses including trading of lighting products, production of smart home products and provision of new energy vehicle power systems) increased by approximately 17.9% to HK\$26,767,000 (2021 first half: HK\$22,703,000).

## **(C) Prospects**

The global economic recovery continues to be influenced by several macro factors such as the outbreak of the COVID-19 pandemic, supply chain disruption, the Russian-Ukraine war, and also the rise in global inflation. While the Group will be cautious in reacting to the external market factors, it sees business opportunities for those that are prepared, particularly in material technologies and innovation for automobile and personal electronics industries. The Group, as a one-stop materials solution provider, is well-equipped to capture these business opportunities in different cycles of the economy.

New energy vehicle market is one of the fastest-growing industries in the world and particularly in China, the new energy market has ushered in a large-scale, high-speed development stage with the strong support from the central government. In the first half of 2022, new energy vehicle production and sales volume in China were 2.7 million units and 2.6 million units respectively, which increased by 118.2% and 115.0% year-on-year, respectively. With a clear national roadmap towards the application of low carbon construction and materials of the auto industry going forward, this momentum is expected to sustain. Lightweight material and integrated die casting have been empowering the development of new energy vehicles to be more energy efficient and environmentally friendly. Since there is great potential of

new energy commercial vehicles, the Group continues to develop a wide range of lightweight, high-strength, high-toughness and high-flow magnesium alloys and aluminium alloys through modification of materials used for automotive dashboards, body structural parts, chassis parts and components of the three electrical systems (battery, electric machine and electrically control). Leveraging on its expertise and know-how in material R&D, integrated large-scale die casting technology, process technology and surface treatment, the Group is exploring a wider range of lightweight material options to meet the increasing fuel economy expectations while maintaining productivity and payload capabilities of on-highway heavy trucks.

Heading into the second half of 2022, consumer brands are planning product launches for some of the biggest festive seasons in the second half of 2022 to capture the expected surge in consumption. The Group's customers' major products, including communication devices and accessories, personal care and smart home products that are in light in weight with durable designs, are expected to benefit from the festive consumption. Moreover, it is observed that 3C product brands, particularly for commercial laptops and personal electronics, are prioritizing their purchases of components used for devices of higher value amidst component shortage. These bring new opportunities to the Group's premium and innovative material solutions which offer greater values and upgrades of products. The Group will seize the opportunity with (i) its self-developed materials such as magnesium alloy with high thermal conductivity and biocide-free germ repellent plastic and (ii) its patented technology, such as Micro Arc Oxidation ("MAO") which is a eco-friendly surface treatment technology, to extend their product applications to different industries, and accelerate their commercialization, so as to expand the Group's business scale.

The Group continues to place high importance in its internal optimization. On top of its ongoing investment and upgrade in its "Industry 4.0" smart manufacturing system, the Group will adopt wider digitalization across different business units, to facilitate the making of management decisions which are more efficient and data-based, to improve overall competitiveness of the Group. In view of the supply chain disruption and instability, the Group will explore possibilities for enhanced vertical integration along its value chain to exert greater control over the stable supply of quality raw materials at controlled costs. As a stakeholder of the community, the Group will carry on improving and refining its environmental management system, approaches, and production processes to minimize emissions and maximize the efficiency of energy and natural resources used, as Ka Shui believes that, sustainability is important to its business growth as well as the society and the world.

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

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

The principal sources of working capital of the Group during the Period was from cash flows generated from operating activities and bank borrowings. As at 30 June 2022, the Group had restricted bank balances as well as bank and cash balances of approximately HK\$243,427,000 (31 December 2021: HK\$282,712,000), most of which were denominated in either US dollars, Renminbi or Hong Kong dollars.

The interest-bearing borrowings of the Group as at 30 June 2022 were bank loans and loan from non-controlling interests with an aggregate amount of approximately HK\$84,673,000 (31 December 2021: HK\$144,161,000). All of these borrowings were denominated in Hong Kong dollars or Euros (31 December 2021: Hong Kong dollars or Euros) and which were primarily subject to floating interest rates. The bank borrowings with maturities falling due within one year, in the second to fifth year with repayment on demand clause and in the second to the fifth year without repayment on demand clause amounted to approximately HK\$68,463,000, HK\$15,407,000 and HK\$803,000 respectively (31 December 2021: HK\$36,000,000, HK\$96,858,000 and HK\$11,303,000 respectively).

As at 30 June 2022, the net gearing ratio (a ratio of the sum of the total bank borrowings and loan from non-controlling interests less the pledged bank deposits, restricted bank balances (if any) and bank and cash balances divided by the total equity) of the Group was not applicable since the Group had net cash (pledged bank deposits, restricted bank balances (if any) and bank and cash balances less total bank borrowings and loan from non-controlling interests (if any)) of approximately HK\$158,754,000 (31 December 2021: net cash of HK\$138,551,000).

As at 30 June 2022, the net current assets of the Group was approximately HK\$488,622,000 (31 December 2021: HK\$520,446,000), which consisted of current assets of approximately HK\$917,030,000 (31 December 2021: HK\$1,010,572,000) and current liabilities of approximately HK\$428,408,000 (31 December 2021: HK\$490,126,000), representing a current ratio of approximately 2.1 (31 December 2021: 2.1).

**(E) Exposure to Foreign Exchange Risk**

During the Period, most of the Group's transactions were conducted in US dollars, Hong Kong dollars or Renminbi. As such, the Group is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between the US dollars, the Renminbi and the Hong Kong dollars. Currently, the Group has not entered into any financial instrument for hedging purposes. However, the Group will closely monitor its overall foreign exchange exposure and take appropriate measures to mitigate the risks that the Group faces from exchange rate fluctuations.

**(F) Contingent Liabilities**

As at 30 June 2022, the Group had no material contingent liabilities.

**(G) Charge on Assets**

As at 30 June 2022, none of the assets of the Group were pledged.

**(H) Material Acquisitions and Disposal**

For the six months ended 30 June 2022, the Group has not acquired or disposed any of its subsidiaries, associates or joint ventures.

**(I) Human Resources**

As at 30 June 2022, the Group had approximately 4,600 full-time employees (31 December 2021: 4,200). The Group attributes its success to the hard work and dedication of all staff, therefore, they are deemed to be the most valuable assets of the Group. In order to attract and retain high caliber staff, the Group provides a competitive salary package, including retirement schemes, medical benefits and bonuses. The Group's remuneration policy and structure are determined based on market trends, the performance of individual staff as well as the financial performance of the Group. The Group has also adopted a share option scheme and a share award scheme providing incentives and rewards for those qualifying staff who have made contributions to the Group.

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

## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK0.3 cent per share for six months ended 30 June 2022 payable on or about Tuesday, 20 September 2022, to the shareholders whose names appear on the register of members of the Company on Tuesday, 13 September 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from Thursday, 8 September 2022 to Tuesday, 13 September 2022, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 7 September 2022.

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

For the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

## **CORPORATE GOVERNANCE**

During the Period, the Company has complied with all the code provisions set out in Part 2 of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules.

## **AUDIT COMMITTEE**

The Company established the Audit Committee in June 2007. The primary duties of the Audit Committee are to review the Company's financial reports, make recommendations on the appointment, removal and remuneration of independent auditor, approve audit and audit-related services, supervise the Company's internal financial reporting procedures and management policies, review the Company's risk management and internal control systems as well as the internal audit function, and other duties under the CG code. The Audit Committee comprises four independent non-executive directors, namely Mr. Kong Kai Chuen, Frankie, Professor Sun Kai Lit, Cliff *BBS, JP*, Ir Dr. Lo Wai Kwok *GBS, MH, JP* and Mr. Andrew Look and is chaired by Mr. Kong Kai Chuen, Frankie, a qualified accountant with extensive experience in financial reporting and controls.

## **NOMINATION COMMITTEE**

The Nomination Committee was set up in June 2007 and is mainly responsible for reviewing the structure, size and the composition of the Board and making recommendations on any proposed change to the Board to complement the Company's corporate strategy; assessing the independence of independent non-executive directors; making recommendations to the Board on the appointment of directors and succession planning for directors. The members of the Nomination Committee are Professor Sun Kai Lit, Cliff *BBS, JP*, Ir Dr. Lo Wai Kwok *GBS, MH, JP*, Mr. Andrew Look, Mr. Kong Kai Chuen, Frankie and 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. It also reviews and determines the terms of remuneration packages, the award of bonuses and other compensation payable to individual directors and senior management with reference to the Board's corporate goals and objectives. The Remuneration Committee consists of Professor Sun Kai Lit, Cliff *BBS, JP*, Ir Dr. Lo Wai Kwok *GBS, MH, JP*, Mr. Andrew Look, Mr. Kong Kai Chuen, Frankie and Mr. Chu Weiman. The chairman of the Remuneration Committee is Professor Sun Kai Lit, Cliff *BBS, JP*, an independent non-executive director.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **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 2022.

## 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, 24 August 2022

*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.*